



Retail Market Analysis for Carlsbad Village

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Preface

This report is the primary report of a series of four reports:

Retail Market Analysis for Downtown Carlsbad

Appendix 1: Technical Appendix

Appendix 2: Business Development and Marketing Plan

Appendix 3: Implementation Strategy

Introduction

Carlsbad is a city rich in opportunities, natural beauty, and civic pride. Its list of resources should make it the envy of towns and cities throughout the nation: Major corporate and industrial headquarters. Seven miles of Pacific Ocean beaches and coastline, just a block away from the core of the downtown area. An easy commuter rail connection to San Diego. World-renowned visitor attractions, from La Costa to Legoland. It is little wonder that *Money* magazine named it one of the most desirable places to live in the United States.

Carlsbad's rapid growth in recent decades has brought the community many new opportunities and challenges - including determining a new role for downtown Carlsbad as retail sales, particularly sales of basic consumer goods and services, have migrated out of the downtown area to new shopping centers, nearby communities, and catalog companies and internet-based retailers.

Carlsbad is hardly alone in this situation. In fact, a similar scenario has played out in thousands of communities throughout the United States over the past several decades as the number and variety of shopping options available have multiplied. With the advent of the Interstate Highway System, people have been able to travel farther to shop, and suppliers have been able to more easily reach and restock businesses, fueling the growth of auto-oriented shopping centers, malls, and discount superstores. But consumer buying power – the amount of money people have available to spend on retail goods and services – has not kept pace with the dramatic growth in the amount of retail space in the nation. In most places, this has meant that communities' existing downtown businesses have lost sales to new (usually national) retailers, which, in turn, has led to the districts' physical and economic decay.

Like many other downtown commercial districts, Carlsbad Village exhibits signs of these profound national (even global) changes in the retail and commercial property development arenas. For example, while the district's vacancy rate is low, many of its retail businesses are underperforming – but a handful appears to be outperforming similar businesses in the region. In the past several decades, a number of businesses providing basic consumer goods and services have disappeared, replaced with specialty businesses that rely increasingly on visitors for their livelihoods. And while the volume of retail sales in Carlsbad Village has grown in recent years, it has not kept pace

with retail growth in the city as a whole. In brief, downtown Carlsbad is undergoing a significant economic transition.

Revitalizing an older or historic downtown is, in essence, a real estate challenge: The businesses and other uses that occupy downtown buildings must generate revenue levels sufficient to support the amount of rent needed for building owners to maintain and rehabilitate the buildings and for developers to feasibly build new buildings. But there are *many* combinations of businesses that could, theoretically, achieve this goal. For example, a historic downtown could increase the number of customers and boost sales by assembling a strong cluster of businesses with regional appeal and by marketing the district to visitors. Or, it could increase the number of district workers and residents to a level sufficient to support a strong core of community-serving businesses, making the downtown essentially a self-supporting economic ecosystem. There is no “one” combination of businesses, building uses, and district activities that might work best for a given commercial district; all districts have multiple choices. The best choices are those for which there is both strong market demand *and* strong consumer desire.

But, how much market demand is there in the Carlsbad area for various products and services, and how much consumer desire is there for those things? How much retail activity can Carlsbad Village realistically absorb? How can Carlsbad Village distinguish itself from other shopping areas within the region? What combination of businesses and building uses might fit the community’s personality *and* be economically viable? What sort of marketing programs might be most effective in helping downtown Carlsbad’s businesses increase sales and help the business district, as a whole, meet its goals? How might a comprehensive district retail development strategy and marketing program be implemented and managed?

In 2005, the City of Carlsbad’s Redevelopment Office asked the Community Land Use and Economics (CLUE) Group to help it answer these questions by conducting an independent analysis of the district’s retail condition and of its major opportunities. This report outlines our findings, conclusions, and recommendations and is intended to help the City of Carlsbad, the Carlsbad Village Business Association, the Carlsbad Chamber of Commerce, and other public- and private-sector partners involved in downtown Carlsbad’s development make decisions about the district’s development, marketing, and management.

Retail market analysis

For centuries, downtowns functioned as the commercial, government, and social hubs of their communities – the places where people came together to conduct business, administer government, relax, and celebrate. But America's communities have gone through a series of profound transformations over the past several decades that have changed the economies of the nation's downtowns. Many of these transformations are a consequence of the expanding highway system, which has stimulated suburban development and made it possible for people to move farther away from town centers. As people have moved outward, the retail industry – always a market follower, rather than a market leader – has moved outward, also. With the advent of regional shopping malls and discount superstores, downtown retailing – the bedrock of a traditional main street district's economic foundation – has slowly eroded.

In communities that are experiencing rapid growth and increasing demand for retail goods and services, as is happening in Carlsbad, the evidence of change is most apparent in the changing types of retail businesses downtown, with community-serving retail businesses that provide the staples of everyday living (like food markets and hardware stores) gradually giving way to specialty retail businesses (like gift shops and galleries). Retail businesses generally fall into one of three broad categories:

- Convenience: Retail goods and services for which shoppers tend to patronize the closest business, like gas stations, dry cleaners, and grocery stores. "Impulse" retail – like card shops, florists, and gourmet cookies – also fall into this category.
- Comparison: Retail goods and services for which shoppers like to compare styles, brands and prices before making a purchase, like apparel, shoes and (sometimes) furniture. For this reason, comparison retail businesses tend to cluster together (e.g., clothing stores in traditional shopping malls), and a comparison business is likely to be more successful if located in a cluster than if it is freestanding, without related businesses nearby.
- Destination: Retail goods and services for which shoppers will travel significant distances. These might include specialty businesses (like musical instruments), large clusters of related businesses (like antiques or restaurants), or businesses that offer exceptional service and that have developed a very loyal clientele.

In the mid-twentieth century, many downtowns offered a blend of businesses in all three categories. Shopping malls, though, specialize in comparison retail businesses (particularly apparel and apparel accessories, like shoes and jewelry) and typically offer enough of a concentration of these businesses to dominate the local market and make it very difficult for downtowns to successfully compete in this category. Discount superstores and 'category killers', which began appearing in the 1970s and 1980s, respectively, have created additional challenges for traditional main street districts by saturating additional retail niches. Discount superstores offer such a broad range of merchandise that they put a broad range of existing businesses in the community at risk. By siphoning away even relatively small percentages of sales from existing businesses, discount superstores often make it difficult or impossible for those businesses to achieve the gross sales levels needed to remain in business.

The shift America's communities have undergone since the mid-20th century - from concentrating retail activity in a central business district to diffusing retail activity throughout a number of commercial centers and along highway strips - makes it unlikely that America's downtowns will be able to support the number and mix of retail businesses they once supported. This means that communities must find new combinations of uses (retail, housing, small industry, entertainment, wholesale, etc.) to occupy the district's buildings as fully as possible, must find new ways for their locally owned retail businesses to reach customers, and must be very strategic in planning retail development.

Two of the keys to rebuilding a downtown's economic viability are therefore (a) ensuring that the community is directing new development into the downtown area, and (b) restructuring the economy of the district, focusing intently on two or three specific, tightly-coordinated economic development goals, rather than continuing to have the district try to provide the broad range of goods and services it was once able to do.

Fortunately, there are many opportunities available for older and traditional downtowns. Among the many paths districts have successfully pursued:

- A district might develop one or more retail niches unique within a 30- or 50-mile radius. Many districts have developed specialized antiques niches (although these may sometimes represent a transition point in a district's economic recovery and therefore be short-lived); some focus on gourmet food items, books, home furnishings, or any number of other niches with little regional competition.

- A district might create or expand an arts and entertainment cluster, often anchored by one or two theatres and a group of restaurants and cafés.
- A district might create enough residential units and small industries or professional offices within the district to provide enough “captive” customers (residents and workers) to support convenience-oriented businesses in many or most of the district’s retail storefront spaces. An added benefit: because this path does not depend on attracting many customers from outside the district, it does not increase demand on parking and traffic infrastructure.
- A district might create a cluster of businesses that provide support to one or more key local industries or institutions – suppliers, consultants, or distributors, for example – or, in some instances, that provide support to a major tourism destination or create retail storefront opportunities.
- A district might intensively target a particular demographic segment whose needs are not being well met within the community or region – Generation Xers, for example, or empty nesters – and might provide an array of housing, shopping, work, and entertainment options for them.
- A district might develop a highly specialized cluster of businesses and small industries whose customers are not likely to come from the community or region but, instead, are generated almost exclusively from the internet or catalogs. The increased base of workers in the district then provides customers for the district’s convenience-oriented businesses (like restaurants, office supplies, and personal services).

Each of these is an example of a market-based strategy – a strategy that is based on the district’s specific economic opportunities and that has a specific economic goal. Many districts can (and should) successfully pursue more than one market-based strategy simultaneously – but it is unlikely that a district can successfully implement more than three (or, in very rare situations, four) market-based strategies without losing focus and diluting the impact of their work.

Successfully implementing market-based strategies involves:

- thinking and acting locally, regionally, and, in some instances, globally;
- marketing the district and its businesses creatively and collaboratively;

- creating and implementing a long-term, district-wide business development plan;
- building strong, collaborative partnerships between the many organizations, agencies and constituents with vested interests in the district; and
- crafting a carefully synchronized work plan that reinforces the district's market-based strategies, has the strong support and involvement of all the district's partners, and helps ensure that all the downtown-related tasks undertaken by the district's partners focus tightly on these strategies.

The process of creating market-based strategies begins with a solid understanding of the district's current economic condition and viable options and, thus, with a retail market analysis.

Retail market analysis is an essential downtown revitalization tool, providing crucial information about the district's economic condition. A retail market analysis assesses the district's current economic performance, estimates the types and amounts of retail development the community can realistically support, and tests the viability of possible retail development options. The retail market analysis then serves as the springboard for crafting business development plans and marketing strategies for the district. While retail market analysis does not provide a detailed blueprint for action, it is an indispensable tool for making well-informed decisions about how best to guide a district's economic future.

Retail market analyses typically have several components:

- A sales void analysis estimates the amount of money people in the community are likely to spend on various retail goods and services.

$\text{Typical purchases/household}^1 \times \text{Number of households}^2 = \text{Potential sales}$

It then measures the difference (or "void") between the total amount of money people spend on retail goods and services and the amount of money that is captured by the community's businesses. If community residents are spending more money than local businesses capture, it

¹ This information is usually obtained from the "Consumer Expenditure Survey," conducted by the US Department of Commerce's Bureau of Labor Statistics.

² This information is usually obtained from the "Census of Population."

means that they are probably shopping outside the community, and the community has a sales “leakage.” If, on the other hand, local businesses are selling more than community residents are spending, the community has a sales “surplus.”

$$\text{Potential sales} - \text{Actual sales}^3 = \text{Sales void}$$

Finally, it estimates how many square feet of new retail businesses, by type, the community can probably support.

$$\text{Sales gap} \div \text{Typical sales/square foot}^4 = \text{New square feet supportable}$$

- Consumer intercept surveys involve literally intercepting people on the street in the district you’re examining and asking them questions about why they visit the district, how often they visit, their impressions of the district, their demographic characteristics, and where they shop for various goods and services. Intercept surveys thus provide a very good portrait of the people who currently visit a district.
- Retail sales trend analysis provides information on how retail sales have changed in the region over a period of time. This sometimes – but not always – suggests how sales may change in the future.
- Population trend analysis provides information on how the population is changing – whether it is growing or shrinking, becoming younger or older, more or less affluent, more or less ethnically diverse, etc. Demographic changes like these sometimes suggest changes in retail opportunities.

There are many other tools that might be used in a retail market analysis, as well, depending on a district’s particular needs, on the types of data available, and on the relative benefits of the particular resource.

Our work with Carlsbad Village involved several components:

- An examination of demographic and economic characteristics of Carlsbad and nearby communities

³ This information is usually obtained from state departments of taxation, local commissioners of revenue, and/or the “Census of Retail Trade”, “Census of Accommodation and Food Services” and related economic census reports.

⁴ There is no published data on typical sale per square foot in downtown businesses. Some retail market analysts use data from the Urban Land Institute’s “Dollars and Cents of Shopping Centers;” others rely on estimates based on state or other area averages or from proprietary studies.

- A retail sales void analysis, comparing the amount of money that Carlsbad and regional residents spend on a range of retail goods and services with the retail sales the area's businesses are actually achieving
- An intercept survey in Carlsbad Village
- An online survey of Carlsbad residents
- Personal interviews with 16 people representing organizations, agencies, businesses and specific constituencies with interests in Carlsbad Village
- A retail development plan
- A marketing plan
- An implementation strategy

In conducting our retail market analysis, we looked for answers to three primary questions:

1. How is Carlsbad Village currently performing as a commercial center?
2. In what categories is Carlsbad Village, and the city as a whole, experiencing sales leakages and sales surpluses, and what business opportunities, if any, does this suggest?
3. How can the development and marketing strategies that evolve from this information best be implemented?

Limitations

As is true of all demographic, economic and market studies, our analysis's reliability is limited to the reliability and quality of the data available. Our research assumes that all data made available by federal, state, county, and city sources is accurate and reliable. For Carlsbad, there are several specific limitations worth mentioning:

First, because our analysis has been conducted in the middle of the decade, between the 2000 and 2010 US Censuses, population data is not quite as current as it would be if this analysis were conducted early in the decade, when population data is new. We have relied on mid-Census projections by

SANDAG, the California Department of Finance, ESRI, and our own estimates of population and retail sales changes in the areas included in this analysis.

Second, the retail market catchment areas of shopping districts (such as downtown Carlsbad) are not confined to the boundaries of political jurisdictions (such as the City of Carlsbad or San Diego County). We have therefore had to make estimates based on reasonable assumptions about the market catchment area of various commercial centers in Carlsbad and vicinity. In general, our estimates tend to be somewhat conservative.

Third, it appears that big-box superstores in many parts of California do not always report their taxable sales wholly under the “general merchandise stores” category (NAICS⁵ 452) but, instead, sometimes obtain separate business licenses for some of the departments within the store, reporting sales in these NAICS categories. This complicates the process of estimating total taxable sales in these stores. Again, we have made estimates based on reasonable assumptions, drawing on our observations of the sale performance of comparable stores in similar markets outside California.

Given these limitations, our report reflects what we believe are reasonable estimates of historic trends, current conditions, and future possibilities.

⁵ North American Industry Classification System

Interviews

During the course of our research we conducted informal interviews with 16 people, representing a broad range of vantage points about Carlsbad Village – business and property owners, representatives of public- and private-sector agencies and organizations, residents of Carlsbad and nearby communities, and visitors. Some of the interviews were conducted by phone; some in person; some online.

Summary of major interview comments:

1. People feel optimistic about Carlsbad Village's future.

Almost everyone we interviewed expressed optimism about downtown Carlsbad's future.

2. People also feel uncertain about the best direction for the district's future.

Most people expressed uncertainty – not concern, just uncertainty – about the best direction for the district's future and uncertainty about how the community should reach a decision about its future.

3. There appears to be widespread confidence in the major institutions working to strengthen downtown Carlsbad.

Most people had praise for the Carlsbad Chamber of Commerce, the Carlsbad Village Business Association, and the City of Carlsbad's Redevelopment Office.

4. There are mixed opinions about the best economic role for Carlsbad Village.

Some people feel that the downtown should focus on attracting more visitors; others feel it should attract fewer visitors but, instead, should focus on attracting more residents. Some feel downtown Carlsbad should have more national retailers; others feel there should be no national retailers downtown.

5. There are mixed opinions about the best organizational structure for Carlsbad Village's revitalization and ongoing management.

We heard no consensus on how the district's revitalization and management initiative might best be organized. A few people feel strongly that a revitalization initiative should be housed within the Chamber of Commerce; a few others feel equally strongly that it should not. Most

people mentioned the possibility of creating a local Main Street organization to coordinate the revitalization effort; several mentioned the possibility of a Business Improvement District, either alone or in conjunction with a Main Street organization.

- 6. Parking is at the top of the list of concerns for downtown business owners.** Almost all the downtown business and property owners we interviewed said that parking was the district's greatest problem. On further questioning, though, most people said they are usually able to find convenient parking downtown.
- 7. The district's limited retail store hours are at the top of the list of concerns for downtown shoppers and visitors.** Almost all non-business owners we interviewed said that they would like to shop more in Carlsbad Village but that store hours – particularly evening hours – are too limited.

Demographic and retail characteristics

Demographic characteristics strongly influence the decisions people make about where to shop, work, and live. Convenience is often a strong motivating factor for double-income households when choosing where to shop, for example, but for retired households intellectual stimulation might be more important. Smaller households may look for restaurants that provide opportunities to interact with friends; larger households may look for restaurants that accommodate children. People who use public transportation to get to work are more likely to make transit-related retail impulse purchases – flowers, greeting cards, magazines – than people who drive to work, and they are likely to buy different things in the morning (coffee, newspapers) than in the evening (carry-out dinners, video rentals).

A district's retail characteristics also strongly influence residents' and visitors' decisions about whether, and for what things, to patronize it. Retail sales momentum within the district and the community, the availability of retail shopping opportunities within the region, and public perceptions of commercial districts are all important predictors of how a commercial district, or the commercial sector of a mixed-use district, is likely to perform and how likely it is to be able to adapt to take advantage of new market opportunities.

We therefore began our investigation by looking at the demographic and retail context within which Carlsbad Village exists and that influence its opportunities.

DEMOGRAPHIC CHARACTERISTICS

Population: Carlsbad is growing – rapidly. With steady population increases for decades, the city already has almost three times the residents today that it had just 25 years ago.

Year						
1980	1990	2000	2005	2010	2020	2030
35,490	63,126	78,247	95,146	107,305	120,631	128,772

Table 1: Actual and projected population of Carlsbad, 1980-2030 (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

While its annual rate of growth is expected to continue to increase, the annual increases are slowing somewhat as the city gradually makes the transformation from a young community to a maturing one. In 25 years, its population is expected to be about 35 percent larger than its current population – still an enormous increase, but small compared with the 168 percent increase in population the city has experienced in the past 25 years [TABLE 1].

All the major communities near Carlsbad are experiencing population growth as well, but Carlsbad is growing at a rate that significantly outpaces most of its neighbors – 38 percent between 2000-2010 alone (compared with 14 percent for San Diego County and 12 percent for California overall), with another 12 percent increase in total population forecast between 2010-2020. Only San Marcos comes close to matching Carlsbad's projected rate of growth for that period of time [TABLE 2].

Place	2000	2010	% ch	2020	% ch
United States	281,421,906	308,935,581	10%	335,804,546	9%
California	33,871,648	38,067,134	12%	42,206,743	11%
San Diego County	2,813,833	3,211,721	14%	3,528,605	10%
Carlsbad	77,998	107,305	38%	120,597	12%
Del Mar	4,389	4,564	4%	4,680	3%
Encinitas	58,195	64,904	12%	68,372	5%
Escondido	133,528	144,657	8%	153,395	6%
Oceanside	160,905	188,974	17%	201,526	7%
San Marcos	55,160	77,645	41%	82,448	6%
Solana Beach	12,887	13,450	4%	13,568	1%
Vista	90,131	97,612	8%	104,578	7%

Table 2: Projected population of Carlsbad, nearby communities, and reference areas, 2000-2020
(Sources: 2000 Census of Population; SANDAG; California Dept. of Finance)

With such significant population growth, new demand for retail goods and services that will be generated by new residents will provide support for a number of new retail businesses and services in the community (see “Anticipated population growth”, below).

Age: Carlsbad's residents are slightly older than those of San Diego County as a whole, with 41 percent over 45 years of age (versus 33 percent in the County) and only 18 percent in the prime 18-34-year-old household-formation age bracket (versus 26 percent in the County) [TABLE 3].

Age	% of residents		Cumulative %	
	Carlsbad	San Diego County	Carlsbad	San Diego County
Under 18	24%	25%	24%	25%
18-24	8%	11%	32%	36%
25-34	10%	15%	42%	52%
35-44	16%	15%	58%	67%
45-54	17%	13%	75%	80%
55-64	11%	9%	86%	89%
65-74	6%	5%	93%	94%
75+	7%	6%	100%	100%

Table 3: Percentages of Carlsbad and San Diego County residents, by age (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

In the decade between the 1990 and 2000 decennial censuses, Carlsbad's population became slightly older, with the percentage of residents under 35 years of age dropping slightly (from 50 percent to 43 percent) and the percentage of residents over 35 increasing slightly (from 50 percent to 57 percent).

Age of individuals	% of Carlsbad individuals	
	1990	2000
Under 18 years	21%	23%
18-24 years	9%	7%
25-34 years	20%	13%
35-44 years	18%	19%
45-54 years	11%	16%
55-64 years	9%	9%
65-74 years	9%	7%
75 years +	4%	7%

Table 4: Changes between 1990-2000 in the percentages of Carlsbad residents of different age levels (*Sources: 1990 and 2000 Census of Population*)

Household and per capita income: Carlsbad's households are more affluent than those of the County, with 40 percent earning more than \$80,000 per year (versus only 25 percent in the County) [TABLE 5]. Carlsbad's affluence grew throughout the decade between the 1990 and 2000 decennial

censuses; only 19 percent of the city's households earned more than \$80,000 in 1990 [TABLE 6].

Household income	% of households		Cumulative %	
	Carlsbad	San Diego County	Carlsbad	San Diego County
Under \$10,000	4%	8%	4%	7%
\$10,000 - \$15,000	3%	5%	7%	12%
\$15,000 - \$20,000	4%	6%	11%	18%
\$20,000 - \$30,000	8%	12%	20%	31%
\$30,000 - \$40,000	9%	12%	29%	42%
\$40,000 - \$50,000	9%	10%	38%	53%
\$50,000 - \$70,000	15%	16%	53%	69%
\$70,000 - \$80,000	7%	6%	60%	75%
\$80,000 - \$100,000	12%	9%	72%	84%
\$100,000 - \$120,000	8%	5%	80%	90%
\$120,000 - \$150,000	8%	5%	88%	94%
\$150,000+	12%	6%	100%	100%

Table 5: Percentages of Carlsbad and San Diego County residents, by household income (Sources: 2000 Census of Population; SANDAG; California Dept. of Finance)

Household income	% of Carlsbad households	
	1990	2000
Under \$5,000	2%	2%
\$5,000 - 10,000	4%	2%
\$10,000 - 15,000	5%	3%
\$15,000 - 20,000	5%	4%
\$20,000 - 30,000	12%	8%
\$30,000 - 40,000	14%	9%
\$40,000 - 50,000	13%	9%
\$50,000 - 70,000	20%	15%
\$70,000 - 80,000	7%	7%
\$80,000 - 100,000	9%	12%
\$100,000 - 120,000	4%	8%
\$120,000 - 150,000	3%	8%
\$150,000 and over	3%	12%

Table 6: Changes between 1990-2000 in the percentages of Carlsbad households of different income levels (Sources: 1990 and 2000 Census of Population)

And, at \$42,528, Carlsbad's *per capita* income is significantly higher than that of San Diego County (\$24,861) and most other communities in the County. Only Del Mar (\$64,615) and Solana Beach (\$50,480) have higher *per capita* income levels among major cities near Carlsbad in San Diego County.

As one might expect, this greater affluence translates directly into higher retail spending capacity. For example, the average American household earning \$40,000-\$50,000 annually typically spends about \$1,490 on clothes and clothing-related accessories and services, while a household earning \$120,000-\$150,000 is likely to spend \$3,675, more than twice that amount.

Sources of income: Carlsbad residents are more likely to have self-employment income (see "Self employment", below, for more information about this) and income from interest, dividends or rental property than residents of San Diego County. The percentage of Carlsbad residents with social security and retirement income is similar to that of the County as a whole, however [TABLE 7].

	Carlsbad		San Diego Co.	
	Yes	No	Yes	No
Self-employment income	20%	80%	14%	86%
Interest, dividends, or net rental income	48%	52%	37%	63%
Social security income	24%	76%	23%	77%
Retirement income	17%	83%	18%	82%

Table 7: Percentages of Carlsbad and San Diego County residents with different types of non-salary income (*Sources: 2000 Census of Population*).

Household size: Household size affects a household's spending patterns in a number of ways, from a household's likelihood of eating at home (more likely for large households than small ones) versus dining out (more likely for small households than large ones) to its likelihood of spending money on household operations (like lawn care services) or of taking care of household chores itself.

There are a few retail categories in which household spending increases incrementally with each additional household member (groceries, for example). But there are many retail categories in which household spending patterns are remarkably similar regardless of whether the household consists

of two people or six. For example, there is no significant difference in the amount of money a typical two-person household is likely to spend this year on major appliances (\$245) than a typical four-person household is likely to spend (\$244), or on how much small and large households are likely to spend on reading (\$97 for an average one-person household, versus \$118 for an average household of five or more people). Generally speaking, large households find ways to economize - they hand clothes down from older to younger children, for example, and they tend to borrow books from a library rather than buying them at a bookstore.

Household size	% of households		Cumulative %	
	Carlsbad	San Diego County	Carlsbad	San Diego County
One person	25%	24%	25%	24%
Two people	38%	32%	63%	56%
Three people	16%	16%	79%	72%
Four people	14%	14%	93%	86%
Five or more people	8%	14%	100%	100%

Table 8: Percentages of Carlsbad and San Diego County residents, by household size (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

The most significant differences in spending, according to household size, are those between one-person and two-person households (and, to an extent, between two-person and three-person households). One-quarter of Carlsbad's households are one-person households, and almost 40 percent of the city's households consist of two people (versus 32 percent in San Diego County), suggesting that there may be relatively strong consumer demand in Carlsbad for home furnishings, personal services, restaurants, and entertainment [TABLE 8].

Household size	% of Carlsbad households	
	1990	2000
1 person	23%	25%
2 people	40%	38%
3 people	16%	16%
4 people	13%	14%
5+ people	8%	8%

Table 9: Changes between 1990-2000 in the percentages of Carlsbad households of different sizes (*Sources: 1990 and 2000 Census of Population*)

While the number of households in Carlsbad continues to grow (from 24,988 in 1990 to 37,972 in 2005), the percentages of households of different sizes has remained remarkably similar, with only very small shifts (e.g., the number of one-person households has increased by two percent while the number of two-person households has dropped by that amount) [TABLE 9].

Race/ethnicity: Carlsbad's residents are significantly less ethnically diverse than those of San Diego County, with a lower percentage of Hispanic, Black, and Asian/Pacific Islander residents and with a significantly greater percentage of White residents than the County's overall population [TABLE 10]. Race and ethnicity influence consumer purchasing decisions in numerous ways, from food preferences to the likelihood that a shopper will respond to certain types of purchasing incentives.

Ethnicity	% of population	
	Carlsbad	San Diego County
Hispanic	13%	30%
White	78%	53%
Black	1%	5%
American Indian	0%	1%
Asian + Pacific Islander	5%	11%
Other	3%	0%

Table 10: Percentages of Carlsbad and San Diego County residents, by race/ethnicity (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

Race/ethnicity	% of Carlsbad residents	
	1990	2000
Hispanic	14%	13%
White	76%	78%
Black	1%	1%
American Indian	0%	0%
Asian + Pacific Islander	3%	5%
Other	5%	3%

Table 11: Changes between 1990-2000 in the percentages of Carlsbad residents of different races/ethnicities (*Sources: 1990 and 2000 Census of Population*)

As with household size, the percentages of Carlsbad residents of different racial/ethnic groups have changed only very slightly since the 1990 Census of Population, with a small increase (less than two percent) in the percentage of White and Asian/Pacific Islander residents and a small decrease in the percentage of Hispanic and 'other' residents [TABLE 11].

Workplace: Only one-third of employed Carlsbad residents work within Carlsbad; 67 percent of them commute to another community. The pattern is similar in nearby communities, although Carlsbad has a slightly higher percentage of employed non-commuting residents [TABLE 12].

The implications of this high percentage of commuters for convenience-oriented retail development near transit stations (like the Coaster station), ride-share parking lots and other transit hubs are significant. The 31,639 Carlsbad residents who commute out of Carlsbad for work represent consumer buying power of approximately \$38.3 million for groceries (including \$1.6 million for milk and \$3.3 million for bread and other bakery products), \$28.3 million for restaurant meals, and \$1.5 million for books and magazines – all products and services that are likely to appeal to commuters.

Place	Worked in place of residence	Worked outside place of residence
San Diego County	49%	51%
Carlsbad	33%	67%
Del Mar	19%	81%
Encinitas	27%	73%
Escondido	35%	65%
Oceanside	27%	73%
San Marcos	26%	74%
Solana Beach	24%	76%
Vista	26%	74%

Table 12: Percentages of Carlsbad and area residents who work in or outside their places of residence (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

Approximately eight percent of Carlsbad's employed residents work at home – about twice the County's percentage and higher than that of most surrounding communities (with the exceptions of Del Mar, Encinitas, and Solana Beach) [TABLE 13].

Place	Worked at home	Do not work at home
San Diego County	4%	96%
Carlsbad	8%	92%
Del Mar	11%	89%
Encinitas	8%	92%
Escondido	3%	97%
Oceanside	4%	96%
San Marcos	4%	96%
Solana Beach	9%	91%
Vista	3%	97%

Table 13: Percentages of Carlsbad and area residents who work/do not work at home (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

Self-employment: In addition to the eight percent of Carlsbad's employed residents who work at home, about one in every five Carlsbad residents earn some type of self-employment income [TABLE 14]. Both of these market segments – Carlsbad workers who work at home, and Carlsbad relatives with some self-employment income – could represent untapped business-to-business sales opportunities – or, more significantly, there might be opportunities to help growing home-based businesses expand into storefront or office space in downtown Carlsbad.

Place	Self-employment income	No self-employment income
San Diego County	14%	86%
Carlsbad	20%	80%
Del Mar	24%	76%
Encinitas	24%	76%
Escondido	15%	85%
Oceanside	13%	87%
San Marcos	14%	86%
Solana Beach	24%	76%
Vista	15%	85%

Table 14: Percentages of Carlsbad and area residents with/without self-employment income (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

Housing tenure: Homeownership rates are high in Carlsbad, relative to nearby communities in San Diego County, with 67 percent of Carlsbad residents living in owner-occupied housing (versus 55 percent in the County overall), suggesting the possibility of a stronger-than-average market for home furnishings and home improvement items [TABLE 15].

Place	Owner-occupied	Renter-occupied
San Diego County	55%	45%
Carlsbad	67%	33%
Del Mar	56%	44%
Encinitas	64%	36%
Escondido	53%	47%
Oceanside	62%	38%
San Marcos	66%	34%
Solana Beach	62%	38%
Vista	54%	46%

Table 15: Percentages of residents of Carlsbad and vicinity who live in owner-occupied and renter-occupied housing (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance*)

Psychographics: To better understand how Carlsbad area residents spend their leisure time and how they shop, we also obtained psychographic data from ESRI about Carlsbad area residents – the city of Carlsbad, San Diego County, and the 92008 zip code area.

ESRI – a company that provides demographic, GIS and economic data to businesses and governments – uses a proprietary program called “Community Tapestry” to identify neighborhoods whose residents have similar demographic and lifestyle characteristics. ESRI examines more than 60 factors, including income, home value, occupation, household composition, education, magazine subscriptions, hobbies, and spending patterns. ESRI then assigns residential neighborhoods to one of 65 segments – with names like “Laptops and Lattes” and “The Elders” – based on each neighborhood’s predominant demographic, lifestyle, and shopping preferences. This information provides a rich profile of the lifestyle characteristics of people who live in a community – characteristics that influence how people shop and spend their leisure time. These preferences help explain, for example, why two people with nearly identical demographic characteristics may prefer different retail products and services. One might like domestic beer, for example, while the other prefers imported beer. One might prefer Levi’s

jeans, but the other might prefer Calvin Klein. One might prefer staying at home in the evenings and watching television, while another might prefer going out to a movie, concert or sports event.

ESRI divides Carlsbad's residents into two major psychographic groups:

- "High Society" (32 percent of Carlsbad's residents), of which most belong to one of three subsets – "Suburban Splendor", "Connoisseurs", and "Boomburbs". ESRI defines these three subset groups this way:
 - Suburban Splendor: "These successful suburbanites are the epitome of upward mobility, just a couple of rungs below the top and situated recently in growing neighborhoods of affluent homes with a median home value of more than \$377,000. Most are two-income families with children. The household population is younger (median age of 40 years), well educated and well employed. *Suburban Splendor* homes feature the latest amenities and home design. Residents are more likely to hire home services than undertake do-it-yourself projects. They place importance on family time and travel. They purchase time-saving gadgets and equipment. They are proactive in financial planning, actively investing and owning life insurance policies."
 - Connoisseurs: "Second in wealth to *Top Rung* among the consumer markets, but first for conspicuous consumption, *Connoisseurs* residents are slightly older, with a median age of almost 45 years, and closer to retirement than child rearing. Their neighborhoods tend to be older bastions of affluence where the median home value tops \$511,000. growth in these neighborhoods is slow. Residents rate first among Tapestry's segments for conspicuous consumption and spend more for personal travel and vacations than any other Tapestry segment. They also work actively for political candidates or parties, participate in civic activities, and donate to charities."
 - Boomburbs: "The newest additions to the suburbs, these communities are home to younger families with a busy, upscale lifestyle. Median home value is \$275,000 (and growing), and most households have two workers and two vehicles. Growth is characteristic of the communities and these families. These affluent families, who recently moved to their homes, focus their attention on upgrades, furnishing and landscaping. *Boomburbs* residents spend on family, leisure, and other activities, too. They are one of

the top markets for sport utility vehicles. They participate in golf, tennis, and swimming and own an array of electronic equipment."

- "Upscale Avenues" (49 percent), of which almost all belong to a single subset – "Urban Chic". ESRI defines this psychographic segment this way: "*Urban Chic* residents are professional couples living an urbane, exclusive lifestyle. They are homeowners; many are city dwellers with a preference for expensive homes in high-rise buildings or townhomes (median value tops \$472,000). Median age is 41 years. They travel extensively and embrace city life by visiting museums, attending dance performances and shopping at upscale stores. Civic-minded *Urban Chic* residents volunteer to work for political parties. Being news junkies, they read multiple newspapers each day and listen to news talk and public radio."

There are some significant differences between the psychographic profiles of Carlsbad residents and San Diego County residents. ESRI assigns a significantly higher percentage of Carlsbad residents to its "High Society" (32.1 percent for Carlsbad, versus 20.0 percent for the County) and "Upscale Avenues" (48.8 percent, versus 19.3 percent) groups, and it assigns a significantly lower percentage to its "Global Roots" group (17.3 percent for the County, versus 3.4 percent for Carlsbad).

Within Carlsbad itself, the 92008 zipcode area (encompassing Carlsbad Village) differs from the overall city in several significant ways:

- It has a lower percentage of "High Society" residents (22.5 percent), but, within this group, it has a relatively high percentage of "Connoisseurs" – wealthy, older, well-traveled, and active in civic and political activities. In addition, ESRI assigns about six percent of the zipcode area's residents to each of two other subgroups that appear in greater numbers in the 92008 area than elsewhere in Carlsbad, which ESRI describes like this:
 - Wealthy Seaboard Suburbs: "*Wealthy Seaboard Suburbs* residents remain established quarters of affluence characteristic of coastal metropolitan areas. Neighborhoods are older and slow to change, with median home values that exceed \$372,000. The labor force is professional. The households consist of married couples living alone or with older children. Their median age is 42 years. Residents maximize their leisure time by relying on contractors and home services to maintain their homes and gardens. They enjoy visiting local beaches and traveling frequently. They are computer savvy but use the internet for convenience, not entertainment."

- Sophisticated Squires: "*Sophisticated Squires* residents enjoy cultured country living in newer home developments with low density and a median value of more than \$214,000. these urban escapees are primarily families with children. They are college-educated, professionally employed and have elected to commute to maintain their semirural lifestyle. From buying golfing equipment to attending golf tournaments, golf is a key part of their lives. Cargo space for golf and do-it-yourself projects determines their preference for SUVs and minivans. With the right tools, they are not afraid to tackle home and garden improvement projects."
- ESRI assigns 11 percent of the 92008 zipcode area's residents to its "In Style" subgroup, an affluent group it describes this way: "*In Style* residents live in the affluent neighborhoods of metropolitan areas. More suburban than urban, these households nevertheless embrace an urban lifestyle, favoring townhomes over traditional single-family houses. Professional couples are predominant in these neighborhoods. Labor force participation is high and most households have fewer children than the US average. Their median age is approximately 38 years. Technologically savvy, *In Style* residents own cellphones, PDAs, and fully equipped PCs. Home remodeling and yard work are contracted out. Physical fitness is integral to their lives; they subscribe to Weight Watchers for diet control, work out in regular exercise programs, and take vitamins."
- The percentage of Carlsbad residents in the 92008 zipcode area that ESRI assigns to its "Solo Acts" group is more than twice that of the city as a whole (19.3 percent, versus 8.0 percent). ESRI describes them like this: "The cutting edge in urban style, *Trendsetters* residents are young, diverse, and mobile and found primarily on the West Coast. Still renting, they favor upscale, multiunit settlements in older city districts. Well educated and professional – but not always typical – they have good jobs and earn a median income of more than \$55,000. More than half of these residents are single and live by themselves or share housing with a roommate. *Trendsetters* residents are spenders; they buy from stores and online. To keep up and to keep in touch, they are never far from their electronic gadgets such as PDAs, cell phones, MP3 players, or their computers. Many are already preparing for retirement by investing in mutual funds and stocks. *Trendsetters* residents are health conscious and exercise regularly. They work out at home, in fitness clubs, and outdoors by biking or jogging."

TAPESTRY category	Zipcode 92008	City of Carlsbad	San Diego County
High Society	22.5%	32.1%	20.0%
Top Rung	-	3.4	1.2
Suburban Splendor	-	7.4	2.5
Connoisseurs	10.2	8.8	4.9
Boomburgs	-	7.4	4.2
Wealthy Seaboard Suburbs	6.1	2.6	2.1
Sophisticated Squires	6.2	2.6	3.2
Exurbanites	-	-	1.9
Upscale Avenues	45.2	48.8%	19.3%
Urban Chic	34.5	39.4	6.8
Pleasant-Ville	-	-	5.0
Pacific Heights	-	-	1.8
In Style	10.8	7.5	3.0
Enterprising Professionals	-	1.9	1.8
Green Acres	-	-	0.6
Cozy and Comfortable	-	-	0.3
Metropolis	-	-	2.2%
City Lights	-	-	1.9
Metropolitans	-	-	0.3
City Strivers	-	-	0.1
Solo Acts	19.3	8.0%	17.2%
Laptops and Lattes	1.6	0.7	2.4
Trendsetters	11.8	4.9	5.7
Old and Newcomers	2.9	1.2	2.4
Young and Restless	3.0	1.2	2.1
Senior Styles	4.8	7.7%	7.5%
Prosperous Empty Nesters	1.8	2.2	1.3
Silver and Gold	-	-	1.1
Rustbelt Retirees	-	-	0.3
Retirement Communities	-	1.5	1.1
The Elders	3.0	1.3	1.1
Senior Sun Seekers	-	2.7	1.1
Heartland Communities	-	-	0.1
Simple Living	-	-	0.5
Social Security Set	-	-	0.8
Scholars and Patriots	-	-	1.8%
Military Proximity	-	-	1.0
College Towns	-	-	0.6
Dorms to Diplomas	-	-	0.2

High Hopes	-	-	3.1%
Aspiring Young Families	-	-	3.0
Great Expectations	-	-	0.1
Global Roots	-	3.4%	17.3
International Marketplace	-	1.8	4.0
Industrious Urban Fringe	-	-	0.8
Urban Melting Pot	-	-	0.1
Las Casas	-	-	2.6
Inner City Tenants	-	-	5.4
NeWest Residents	-	1.6	4.2
City Dimensions	-	-	0.1
High Rise Renters	-	-	0.1

Table 16: Percentages of residents of Carlsbad, San Diego County, and the 92008 zipcode area assigned to various ESRI Tapestry psychographic segments (*Source: ESRI*)

Overall, the psychographic segments into which ESRI divides the community are generally those of fairly affluent people who enjoy the benefits of both an urban environment and a small-town atmosphere and who enjoy shopping, physical activity, travel, and civic life.

Anticipated population growth: Like all major cities in San Diego County, Carlsbad is expected to continue to grow over the next several decades.

Community	2000	2005	% ch	2010	% ch	2020	% ch
USA	281,421,906	295,507,134	5%	308,935,581	10%	335,804,546	9%
California	33,871,648	36,038,859	6%	38,067,134	12%	42,206,743	11%
San Diego Co.	2,813,833	3,051,280	8%	3,211,721	14%	3,528,605	10%
Carlsbad	77,998	95,146	22%	107,305	38%	120,631	12%
Del Mar	4,389	4,543	4%	4,564	4%	4,680	3%
Encinitas	58,195	62,774	8%	64,904	12%	68,372	5%
Escondido	133,528	141,350	6%	144,657	8%	153,395	6%
Oceanside	160,905	174,925	9%	188,974	17%	201,526	7%
San Marcos	55,160	73,054	32%	77,645	41%	82,448	6%
Solana Beach	12,887	13,400	4%	13,450	4%	13,568	1%
Vista	90,131	94,109	4%	97,612	8%	104,578	7%

Table 17: Projected population growth for Carlsbad and reference communities, 2000-2020 (*Sources: 2000 Census of Population; SANDAG; California Dept. of Finance; CLUE Group*)

SANDAG estimates that Carlsbad's 2000 population of 77,998 will have increased by 54.6 percent by 2020 – one of the greatest rates of growth in the northern part of the County, outpaced only by San Marcos – to more than 120,000 residents.

The community's population growth represents considerable new consumer demand for retail goods and services. The new households represented by Carlsbad's projected growth from 2005-2010 alone represent more than \$92 million in new retail demand:

Retail category	Est. retail demand
Groceries	\$14.8 million
Dining out + alcoholic beverages	13.2 million
Housekeeping supplies	3.2 million
Furniture and home furnishings	7.6 million
Apparel and related services	8.4 million
Vehicle purchases, gasoline, maintenance, repairs	25.7 million
Medical services	2.0 million
Drugs and medical supplies	2.8 million
Entertainment	9.5 million
Personal care products/services	3.0 million
Reading	0.6 million
Tobacco products/smoking supplies	1.7 million

Table 18: Estimated demand for various retail goods and services from anticipated new residents of Carlsbad between 2005-2010 (*Sources: 2004-05 Consumer Expenditure Survey; 2000 Census of Population; SANDAG 2005 population projections; CLUE Group*)

These new residents will also generate an estimated \$9.9 million in mortgage interest and charges; \$4.9 million in property taxes; and \$3.9 million in maintenance, insurance, and repairs; \$9.3 million in rents; and \$13.2 million in housing-related utilities.

RETAIL CHARACTERISTICS

There are many different sources of information available about retail activity in the United States – data from the federal government (usually collected for economic monitoring, resource consumption, or tax purposes); from state and local governments (usually collected for tax purposes); from companies

that gather and publish retail sales information for developers, retailers, suppliers, and researchers; from advertising media; and much more. Each of these sources of information has its strengths and weaknesses in helping provide a profile of retailing in a particular district, community or region.

We have relied primarily on three sources of retail sales data:

- The Economic Census, conducted every five years (in years that end in -2 and -7) by the US Bureau of the Census, reports on most aspects of commerce in the United States. Information from the Economic Census is published in a series of more than a dozen reports, several of which we have used in our analysis – the *Census of Retail Trade*; *Census of Accommodation and Food Services*; *Census of Information*; *Census of Arts, Entertainment, and Recreation*; and *Census of Other Services*, in particular. The Economic Census reports total sales estimates based on North American Industry Classification System (NAICS) categories.
- ESRI, an international provider of economic data and GIS information, provides estimates of actual retail sales based on several data sources, including information from the Economic Census, utility accounts, magazine subscriptions, proprietary surveys, and other sources. Like the Economic Census, it reports total sales estimates based on NAICS categories.
- The California Department of Finance tracks taxable retail sales in municipalities, based on information provided to it by municipal departments of revenue, and reports sales in categories slightly different from the NAICS categories used by the Economic Census and ESRI. Taxable retail sales are generally lower than *total* retail sales, as retail sales tax is not charged on items such as food and pharmaceuticals in California; thus, Carlsbad's taxable retail sales are approximately 86 percent of the city's total retail sales.

Estimates of actual retail sales (\$000)			
Category	Economic Census (2002)	CA Dept of Finance (2002)	ESRI (2005)
Carlsbad	2,019,554	1,734,913	2,220,877
San Diego County	31,586,056	27,421,600	37,998,205

Table 19: Comparison of retail sales estimates for Carlsbad and San Diego County (*Sources: Census of Retail Trade 2002; ESRI; California Department of Finance*)

We have used data from all three sources in our analysis, relying primarily on data from the Economic Census and the Department of Finance for analyzing multi-year trends and on data from all three sources for the estimates of existing sales in our sales void analysis.

We first looked at the city and region.

Shopping centers: The city has several major shopping districts [TABLE 20] and numerous neighborhood shopping centers, with several new shopping centers currently proposed (most notably La Costa Town Square, which would expand the current shopping center to 302,000 square feet of commercial space, with a 53,000 square foot cinema), plus ancillary retail space proposed in new mixed-use projects (e.g., 16,000 square feet at Poinsettia Commons, and 8,700 square feet at Village by the Sea).

Shopping area	Est. SF GLA	Est. stores
Westfield Plaza Camino Real	1,100,000	150
Carlsbad Plaza	172,000	45
Carlsbad Premium Outlets	290,000	90
The Forum at Carlsbad	265,000	75

Table 20: Major shopping centers in Carlsbad (Source: Carlsbad Chamber of Commerce; Carlsbad Redevelopment Office)

Changes in retail sales: In general, retailing in Carlsbad is healthy and robust. While there are several retail centers (including Carlsbad Village) in need of repositioning, retail sales in the city as a whole appear to be growing in virtually every retail category.

Total retail sales (taxable and non-taxable) increased by 79 percent in Carlsbad between 1997 and 2002, according to the *Census of Retail Trade* and *Census of Accommodation and Food Services* [TABLE 21]. Furniture/home furnishings stores experienced the greatest percentage gain over this period of time, with sales increasing by 231 percent. Other categories of businesses that experienced significant gains include health/personal care stores (198 percent increase), electronics/appliance stores (180 percent increase), clothing/accessories (146 percent) and sporting goods/hobbies/books/ music (142 percent). Non-store retailers (e.g., home-based retail businesses and vending machine-based sales) also saw a large increase in sales, with sales almost doubling.

Category	2002	1997	% chng
Motor vehicles and parts dealers	901,981,000	510,982,000	77%
Furniture/home furnishings stores	101,649,000	30,738,000	231%
Electronics and appliances stores	88,104,000	31,441,000	180%
Building materials, garden equip.	29,872,000	24,515,000	22%
Food + beverage stores	158,745,000	120,590,000	32%
Health + personal care stores	97,795,000	32,789,000	198%
Gasoline stations	53,859,000	44,586,000	21%
Clothing + accessory stores	162,101,000	65,824,000	146%
Sporting goods, hobby, books, music	38,734,000	15,978,000	142%
General merchandise	270,481,000	243,077,000	11%
Misc. store retailers	16,914,000	16,830,000	0%
Nonstore retailers	99,319,000	34,387,000	189%
Restaurants	141,963,000	86,982,000	63%
<i>Total</i>	<i>2,161,517,000</i>	<i>1,207,493</i>	<i>79%</i>

Table 21: Total retail sales in various types of stores in Carlsbad, as reported in the *Economic Census, 1997-2002* (source: 1997 and 2002 Census of Retail Trade; 1997 and 2002 Census of Accommodation and Food Services; CLUE Group)

Category	% change, 1997-2002		
	California	San Diego Co.	Carlsbad
Motor vehicles and parts dealers	36%	42%	77%
Furniture/home furnishings stores	53%	77%	231%
Electronics and appliances stores	20%	31%	180%
Building materials, garden equip.	25%	38%	22%
Food + beverage stores	24%	30%	32%
Health + personal care stores	53%	56%	198%
Gasoline stations	24%	27%	21%
Clothing + accessory stores	35%	40%	146%
Sporting goods, hobby, books, music	17%	29%	142%
General merchandise	35%	44%	11%
Misc. store retailers	26%	33%	0%
Nonstore retailers	111%	109%	189%
Restaurants	32%	38%	63%
<i>Total</i>	<i>36%</i>	<i>42%</i>	<i>79%</i>

Table 22: Percent changes in total retail sales in various types of stores in California, San Diego County, and Carlsbad, 1997-2002 (source: 1997 and 2002 Census of Retail Trade; 1997 and 2002 Census of Accommodation and Food Services; CLUE Group)

Category	2005	2000	% chng
Apparel stores	227,576,000	96,444,000	136%
General retail	250,532,400	123,215,400	103%
Furniture/appliances	54,664,100	29,260,100	87%
Drug stores	15,337,900	11,212,600	37%
Recreation products	15,768,900	4,554,900	246%
Florist/nursery	6,717,600	4,471,300	50%
Miscellaneous retail	205,620,800	77,567,700	165%
Restaurants	232,079,600	124,123,800	87%
Food markets	66,534,400	51,208,900	30%
Transportation	891,931,900	533,493,600	67%
Construction	74,306,400	43,587,000	70%
Business to business	323,124,800	231,263,400	40%
Miscellaneous	6,167,500	5,063,500	22%
<i>Total</i>	<i>2,370,362,300</i>	<i>1,335,466,200</i>	<i>77%</i>

Table 23: Taxable retail sales in various types of stores in Carlsbad, as reported by the California Dept. of Finance, 2000-2005 (*source: City of Carlsbad Office of Finance; CLUE Group*)

The overall rate of growth in retail sales and the rates of growth in most retail categories in Carlsbad outpaced those of both the state and San Diego County between the 1997 and 2002 Economic Censuses, with Carlsbad seeing particularly large percentage increases, relative to the state and county, in furniture/home furnishings stores, electronics/appliance stores, health/personal care stores, clothing/accessory stores, and sporting goods/hobby/books/music stores [TABLE 22].

Taxable (versus total) retail sales increased by 77 percent in Carlsbad between 2000 and 2005, according to the city's taxable retail sales records [TABLE 23]. The categories chalking up the largest increases were recreation products (246 percent), miscellaneous retail (news stands, stationery, books, jewelry, portrait studios, shoe repair stores, personal services, vending machine businesses, and a few others, with sales increasing by 165 percent), apparel (136 percent), and general retail (variety stores, department stores, and general stores, with an increase of 103 percent).

Sales per capita: With *per capita* retail sales of \$22,718, Carlsbad's retail sales *per capita* are about twice those of San Diego County, the state of California, and the United States, and significantly higher than almost all other communities in the northern part of the County [TABLE 24].

Place	Total sales	Population	Sales per capita
USA	\$ 3,377,822,505,000	295,507,134	\$ 11,431
California	400,475,553,000	36,038,859	11,112
San Diego Co.	35,457,942,000	3,051,280	11,621
Carlsbad	2,161,517,000	95,146	22,718
Del Mar	86,538,000	4,543	19,049
Encinitas	1,091,946,000	62,774	17,395
Escondido	2,398,073,000	141,350	16,965
Oceanside	1,321,621,000	174,925	7,555
San Marcos	800,974,000	73,054	10,964
Solana Beach	222,609,000	13,400	16,613
Vista	967,268,000	94,109	10,278

Table 24: Total retail sales (including restaurants/food service) *per capita* in Carlsbad and nearby communities (Sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2000 Census of Population; California Dept. of Finance [population estimates]; CLUE Group [sales per capita])

Average store sales: Carlsbad's retail stores (not including restaurants) averaged \$4.9 million in gross annual sales in 2002, higher than the per-store averages for the nation, state, county, and other cities in the northern part of county [TABLE 25].

City	Total sales	# stores	Sales/store
United States	\$ 3,056,421,997,000	1,114,637	\$ 2,742,078
California	359,120,365,000	108,941	3,296,467
San Diego County	31,586,056,000	9,486	3,329,755
Carlsbad	2,019,554,000	411	4,914,000
Del Mar	28,841,000	45	641,000
Encinitas	973,601,000	276	3,528,000
Escondido	2,261,183,000	586	3,859,000
Oceanside	1,166,531,000	375	3,111,000
San Marcos	725,240,000	217	3,342,000
Solana Beach	179,208,000	94	1,906,000
Vista	889,907,000	247	3,603,000

Table 25: Average sales per retail store (not including restaurants/food service) in Carlsbad and nearby communities (Sources: Census of Retail Trade 2002; ESRI; California Department of Finance; CLUE Group)

The city's restaurants averaged \$876,000 in gross annual sales – higher than the national, state, and county averages but lower than those of Del Mar and Solana Beach [TABLE 26].

City	Total sales	# stores	Sales/store
United States	\$ 321,400,508,000	504,641	\$ 636,889
California	41,355,188,000	60,079	688,347
San Diego County	3,871,886,000	5,215	742,452
Carlsbad	141,963,000	162	876,000
Del Mar	57,697,000	34	1,697,000
Encinitas	118,345,000	159	744,000
Escondido	136,890,000	214	640,000
Oceanside	155,090,000	226	686,000
San Marcos	75,734,000	104	728,000
Solana Beach	43,401,000	42	1,033,000
Vista	77,361,000	144	537,000

Table 26: Average sales per restaurant/food service establishment in Carlsbad and nearby communities (*Sources: Census of Retail Trade 2002; ESRI; California Department of Finance; CLUE Group*)

Category	Average sales per business	
	City of Carlsbad	San Diego County
Total retail trade	\$ 4,914,000	\$ 3,330,000
Motor vehicles + parts dealers	33,407,000	8,399,000
Furniture + home furnishings stores	5,350,000	1,930,000
Electronics + appliance stores	4,195,000	2,546,000
Building material + garden equipment stores	1,991,000	4,575,000
Food + beverage stores	5,291,000	3,794,000
Health + personal care stores	2,508,000	2,405,000
Gasoline stations	2,992,000	3,000,000
Clothing + clothing accessories stores	1,237,000	1,377,000
Sporting goods, hobby, book, music stores	1,549,000	1,464,000
General merchandise stores	38,640,000	21,803,000
Miscellaneous store retailers	393,000	788,000
Nonstore retailers (e.g., vending machines)	2,759,000	2,100,000
Food services + drinking places	876,000	742,000

Table 27: Average sales per business in Carlsbad and San Diego County for various categories of retail goods and services (*Sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; CLUE Group*)

In individual store categories, Carlsbad's businesses are outperforming those in the County as a whole in all categories except six: building material/garden supply stores; clothing/clothing accessory stores; gasoline stations (negligible difference); clothing/accessory stores (also negligible); sporting goods/hobby/book/music stores; and miscellaneous store retailers. Carlsbad's average sales per business relative to the County's are particularly robust in motor vehicles/parts and in general merchandise stores [TABLE 27].

Next, we looked at retail activity within the redevelopment area and Carlsbad Village.

Business inventory: Carlsbad Village contains approximately 465 businesses, of which the overwhelming majority – 70 percent – are service-related businesses [TABLES 28 + 30]. Forty-five percent of the city's barbers and beauty shops, for example, are in downtown Carlsbad. Only 18 percent are retail stores and six percent are restaurants or hotels, with arts/entertainment accounting for only one percent of the district's businesses.

SIC	SIC description	# in Village	% of city
15	Building construction – general contractors	11	15%
17	Construction – special trade contractors	5	14%
0752	Animal specialty services, except veterinary	1	33%
2721	Periodicals	1	17%
2731	Book publishing	1	25%
2741	Miscellaneous publishing	1	50%
2759	Commercial printing	1	5%
3769	Space/auxiliary equipment, parts	1	50%
4225	General warehousing and storage	1	17%
4724	Travel agencies	1	8%
5012	Automobiles and other motor vehicles	1	14%
5021	Furniture manufacturing/refinishing	1	50%
5047	Medical, dental, hospital equipment/supplies	1	9%
5094	Jewelry, watches, precious stones, metals	1	100%
5137	Women's, children's, infant's clothing/acces.	2	25%
5211	Lumber and other bldg materials dealers	1	25%
5261	Retail nurseries, lawn + garden supplies	1	10%
5411	Grocery stores	2	13%
5461	Retail bakeries	1	7%
5499	Miscellaneous food stores	1	8%

5511	Motor vehicle dealers (new and used)	2	7%
5531	Auto and home supply stores	3	60%
5541	Gasoline service stations	2	11%
5621	Women's clothing stores	1	6%
5632	Women's accessory and specialty stores	1	33%
5651	Family clothing stores	5	6%
5661	Shoe stores	2	6%
5699	Miscellaneous apparel and accessory stores	3	50%
5712	Furniture stores	1	7%
5714	Drapery, curtain and upholstery stores	2	40%
5719	Miscellaneous home furnishings stores	1	10%
5734	Computer and computer software stores	1	6%
5812	Eating places	23	13%
5813	Drinking places (alcoholic beverages)	1	10%
5934	Used merchandise stores	7	54%
5942	Book stores	4	36%
5944	Jewelry stores	4	12%
5945	Hobby, toy, and game shops	1	17%
5947	Gift, novelty, and souvenir shops	5	18%
5948	Luggage and leather goods stores	1	20%
5961	Catalog and mail-order houses	1	5%
5963	Direct selling establishments	1	9%
5992	Florists	1	17%
5994	News dealers and newsstands	1	100%
5999	Miscellaneous retail stores, NEC	20	17%
6162	Mortgage bankers and loan correspondents	1	9%
6163	Loan brokers	5	15%
6282	Investment advice	4	25%
6411	Insurance agents, brokers, and service	6	26%
6512	Operators of nonresidential buildings	5	10%
6513	Operators of apartment buildings	2	1%
6514	Operators of dwellings other than apartment bldgs	1	33%
6531	Real estate agents and managers	26	19%
6552	Land subdividers and developers, exc. cemeteries	1	8%
7011	Hotels and motels	2	7%
7215	Coin-operated laundries and drycleaning	1	50%
7216	Drycleaning plants, except rug cleaning	2	17%
7221	Photographic studios, portrait	2	11%
7231	Beauty and barber shops	113	45%
7291	Tax return preparation services	2	25%
7299	Misc. personal services, not elsewhere classified	4	29%

7311	Advertising agencies	3	20%
7322	Adjustment and collection services	1	33%
7336	Commercial art and graphic design	2	22%
7349	Building cleaning and maintenance services, NEC	1	20%
7352	Medical equipment rental and leasing	1	50%
7359	Equipment rental and leasing, NEC	1	14%
7361	Employment agencies	2	5%
7363	Help supply services	1	14%
7371	Computer programming services	1	5%
7372	Prepackaged software	2	40%
7378	Computer maintenance and repair	1	100%
7389	Business services, NEC	15	14%
7352	Top, body and upholstery repair/paint shops	2	33%
7538	General automotive repair shops	4	27%
7549	Automotive services, except repair and carwashes	1	20%
7631	Watch, clock, and jewelry repair	2	67%
7911	Dance studios, schools, and halls	2	50%
7922	Theatrical producers (except motion pictures)	1	33%
7999	Amusement and recreation services, NEC	1	8%
8011	Offices and clinics of doctors of medicine	5	19%
8021	Offices and clinics of dentists	4	9%
8041	Offices and clinics of chiropractors	8	24%
8042	Offices and clinics of optometrists	1	7%
8043	Offices and clinics of podiatrists	1	50%
8049	Offices and clinics of health practitioners, NEC	28	50%
8072	Dental laboratories	1	100%
8093	Specialty outpatient facilities, NEC	1	50%
8099	Health and allied services, NEC	1	100%
8111	Legal services	9	10%
8249	Vocational schools, NEC	1	50%
8299	Schools and educational services, NEC	3	10%
8322	Individual and family social services	16	67%
8712	Architectural services	6	40%
8721	Accounting, auditing and bookkeeping services	6	15%
8743	Public relations services	1	50%
8999	Services, NEC	22	17%
<i>Total:</i>		<i>465</i>	

Table 28: Numbers of businesses in Carlsbad Village, by SIC code, and percentage of total businesses in the City of Carlsbad (*Sources: City of Carlsbad Office of Finance; CLUE Group*)

Downtown redevelopment area's percentage of citywide retail sales:

The percentage of citywide taxable retail sales attributable to businesses in the downtown redevelopment area has increased from 4.7 percent in 2000 to 6.5 percent in 2005. This increase is more dramatic in actual dollars, however: total taxable retail sales in the redevelopment area have grown from \$62.6 million in 2000 to \$153.1 million in 2005, an increase of 145 percent (versus a 77 percent increase in taxable sales in the city during the same period).

Total taxable sales (\$000) and percent change, 2000-2005						
Category	City of Carlsbad			Redevelopment area		
	2000	2005	% ch	2000	2005	% ch
Apparel stores	96,444	227,576	136%	2,124	3,650	136%
General retail	123,215	250,532	103%	7	690	9485%
Furniture/appliances	29,260	54,664	87%	1,303	3,352	157%
Drug stores	11,213	15,338	37%	16	12	-27%
Recreation products	4,555	15,769	246%	1,486	1,718	16%
Florist/nursery	4,471	6,718	50%	187	358	91%
Miscellaneous retail	77,568	205,621	165%	7,140	12,238	71%
Restaurants	124,124	232,080	87%	28,872	83,009	188%
Food markets	51,209	66,534	30%	6,985	7,437	6%
Transportation	533,494	891,932	67%	9,867	19,661	99%
Construction	43,587	74,306	70%	2,095	11,904	468%
Business to business	231,263	323,125	40%	2,529	9,626	281%
Miscellaneous	5,064	6,168	22%	0	0	0
	1,335,466	2,370,362	77%	62,612	153,654	145%

Table 29: Changes in taxable retail sales in the City of Carlsbad and the redevelopment area, 2000-2005 (Carlsbad Department of Finance)

Jobs: Carlsbad Village's 465 businesses, plus its government offices and nonprofit organizations, provide approximately 1,700⁶ full-time-equivalent jobs [TABLE 30], representing retail buying power of approximately \$14.2 million, including \$2.4 million in retail demand for groceries, \$1.8 million in restaurant meals, and \$1.3 million in home furnishings [TABLE 31].⁷

⁶ This is a conservative estimate, based on a survey of Carlsbad Village business owners and on data from the Carlsbad Redevelopment Office and Carlsbad Chamber of Commerce.

⁷ We have based the estimate of retail demand generated by downtown workers on our estimate of the number of unique households represented by downtown workers, an average household size of 2.48 in Carlsbad, and the percentage of unique households represented by downtown workers (80 percent) in comparable downtown districts.

Sector	% of CV businesses	Est. # jobs
NAICS 23: Construction	4%	110
NAICS 32: Manufacturing	1%	10
NAICS 44-45: Retail	18%	185
NAICS 51: Information	1%	5
NAICS 52: Finance + Insurance	4%	90
NAICS 53: Real Estate	8%	185
NAICS 54: Professional Services	9%	210
NAICS 56: Administration + Support	2%	20
NAICS 61: Education	2%	140
NAICS 62: Health Services	14%	230
NAICS 71: Arts + Entertainment	1%	3
NAICS 72: Accommodation + Food Services	6%	190
NAICS 81: Personal Services	30%	205
Other (government, nonprofit organizations, etc.)	n/a	120

Table 30: Estimated percentages of businesses and estimated numbers of FTE jobs in various job sectors in Carlsbad Village (*Sources: Carlsbad Redevelopment Office; CLUE Group*)

Product/service	Market demand
Groceries	\$2,491,000
Dining out	1,775,000
Alcoholic beverages	365,000
Housekeeping supplies	415,000
Household furnishings/equipment	1,283,000
Apparel and apparel-related services	1,327,000
Vehicle purchases	2,690,000
Gasoline, motor oil, vehicle maintenance	1,766,000
Drugs and medical supplies	390,000
Medical supplies	90,000
Fees and admissions	455,000
TVs, radios, sound equipment	561,000
Pets, toys, playground equipment	298,000
Reading	103,000
Tobacco products and smoking supplies	153,000

Table 31: Estimated market demand generated by the households represented by Carlsbad Village workers (*CLUE Group*)

SALES VOID ANALYSIS AND RETAIL MARKET DEMAND

Sales void analyses measure the difference (or gap) between sales demand (the amount of money people in a given area are likely to spend on various retail goods and services) and the amount of retail sales that businesses in the area are actually capturing. People shop in many places – stores close to home and work, businesses they visit in nearby communities or while away on vacation, from catalogs, online, etc. – so the amount of market demand that exists in a given area very rarely matches the retail sales businesses in the area achieve. The difference between sales potential and actual sales might be positive (generally meaning that the area is attracting outside shoppers) or negative (generally meaning that area is losing local shoppers).

In most cases, a sales leakage suggests that there is unmet demand in the community for the product or service being measured and that the community can therefore probably support additional square footage of that type of business (either in one or more existing businesses or, if there is enough demand, in one or more new businesses).

But, in some instances, this is not the case. While a sales leakage suggests that there is unmet demand in the community for a product or service, it does not necessarily mean that the community can, in fact, support one or more businesses (or additional square footage in an existing business) selling that product or service. There could be a strong competitor in a nearby community, for example, which is so popular that a new business would have difficulty competing. There could be a cultural reason why local customers might not be likely to buy certain products or services, even though it might appear that they have the buying power to do so. Or, there could be any number of other reasons why the presence of a sales leakage might not necessarily translate into a business opportunity for the district.

Similarly, a sales *surplus* in a particular category does not necessarily mean that a district *cannot* support additional businesses of that type. Many districts have become well known within their regions for having a strong cluster of home furnishings stores, restaurants, art galleries, or other specialties that attract shoppers from a broad geographic area. Having established regional dominance in a niche, they are often able to attract even more customers from that region – and therefore to support additional businesses within those categories or related categories. Many communities find that they have sales surpluses in some categories and sales leakages in others – and this can sometimes be an indicator of regional economic shifts underway.

Sales void analysis is initially a measurement of the extent to which a community's own residents are making retail purchases locally (versus leaving the community to shop, or shopping online or via catalog). But it can also be a useful tool for understanding the buying power people of different demographic groups and for identifying pockets of opportunity that might exist to better meet local retail needs or to capitalize on opportunities that might exist for a community other than those created by area residents – sales to tourists and visitors, for example, or to any other group for which demographic information is available. This information can help businesses reposition themselves or market their products and services more effectively, add new product lines, and/or launch new businesses. With online shopping growing almost exponentially every year, the marketplace for many downtown businesses is shifting from local to global, making it possible for businesses that would have been dependent almost exclusively on purchases by community residents and visitors a decade or two ago to reach customers almost anywhere in the world. This means – among other things – that, with a good marketing plan and a solid understanding of ecommerce, highly specialized retail businesses can locate in historic downtown districts without necessarily needing to rely primarily on locally-generated sales – and the methodology used in sales void analysis to estimate the buying power of specific groups of people can also help identify potential opportunities to sell specialized goods and services to large, geographically dispersed groups of customers.

We began by estimating the sales voids for major retail categories for Carlsbad [TABLE 32]. We then analyzed the retail buying power of people who work in Carlsbad Village and of people who live Carlsbad, in the contiguous communities from which Carlsbad Village is most likely to be able to attract regional shoppers, and in San Diego County.

We found that the City of Carlsbad is experiencing retail sales surpluses in every major retail category except two – gasoline/motor oil, and entertainment. The City is experiencing retail sales surpluses in every other major retail category. In a few categories (such as medical supplies), the surpluses are statistically negligible. But in other categories, like household furnishings/equipment, apparel, and automobiles, the surpluses are quite substantial, underscoring Carlsbad's strong retail position as a regional retail center in the northern part of San Diego County.

	Actual sales ⁸	Potential sales	Void
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⁸ *A note on methodology:* Sources of actual retail sales data report store sales information, rather than information on sales of specific product lines consumers purchase in these stores. There are many items, however, that a consumer might purchase from any of a number of different types

Category	(\$000)	(\$000)	(\$000)
Groceries	162,614	149,590	13,024
Dining out	210,653	122,920	87,733
Alcoholic beverages	54,127	23,472	30,655
Housekeeping supplies	96,080	28,540	67,540
Household furnishings + equipment	263,574	89,923	173,651
Apparel + apparel-related services	294,154	93,427	200,727
Vehicle purchases	611,221	172,819	438,402
Gasoline and motor oil	62,236	73,484	(11,248)
Vehicle maintenance and repairs	79,633	31,502	48,051
Drugs (prescription + OTC)	61,592	19,716	41,876
Medical supplies	8,355	5,371	2,984
Entertainment	90,961	115,336	(24,375)
Personal care products + services	67,391	28,624	38,767
Reading materials	16,502	6,647	9,855
Tobacco, smoking products	17,529	11,066	6,463
Totals:	2,096,622	972,517	1,124,105

Table 32: Potential vs. actual sales in Carlsbad (sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2002 Census of Other Services; 2002 Census of Health Care and Social Assistance; ESRI; Carlsbad Office of Finance; 2004 Consumer Expenditure Survey, CLUE Group).

We next examined the retail buying power of Carlsbad residents relative to that of nearby cities in the northern part of the County and relative to County residents, as a whole [TABLE 33]. At \$11,001, Carlsbad's *per capita* retail buying power is higher than that of nearby communities (\$9,705 as a group) and that of San Diego County (\$8,034) – again, underscoring Carlsbad's relative affluence and retail strength.

Category	Buying power (\$000)		
	Carlsbad	Nearby communities ⁹	San Diego County

of stores – for example, he or she might buy toothpaste at a pharmacy, grocery store, fast food market, dentist's office, airport sundries shop, or any of a number of other places. Only 56 percent of the sales that take place in the nation's grocery stores, for example, are sales of groceries. We have therefore used detailed information on product line purchases at different types of stores from the 2002 *Economic Census*, adjusted for 2005 sales levels using trends from the Carlsbad Office of Finance's taxable retail sales reports, and have then correlated these product line purchases with the product lines contained in the *Consumer Expenditure Survey*.

⁹ Del Mar, Encinitas, Escondido, Oceanside, San Marcos, Solana Beach, and Vista

Groceries	149,590	829,141	3,753,454
<i>Cereals and bakery products</i>	<i>20,322</i>	<i>113,555</i>	<i>514,986</i>
<i>Meats, poultry, fish, eggs</i>	<i>38,695</i>	<i>216,688</i>	<i>982,601</i>
<i>Dairy products</i>	<i>16,552</i>	<i>91,811</i>	<i>415,578</i>
<i>Fruits and vegetables</i>	<i>25,227</i>	<i>139,071</i>	<i>629,401</i>
<i>Other groceries</i>	<i>48,777</i>	<i>267,901</i>	<i>1,210,368</i>
Dining out (not incl. alcoholic bev.)	122,920	632,238	2,823,306
Alcoholic beverages	23,472	119,652	534,020
Household operations	42,271	203,804	901,640
Housekeeping supplies	28,540	151,267	679,646
Household furnishings, equipment	89,923	441,034	1,953,995
<i>Household textiles</i>	<i>8,226</i>	<i>41,367</i>	<i>183,953</i>
<i>Furniture</i>	<i>23,997</i>	<i>114,014</i>	<i>502,906</i>
<i>Floor coverings</i>	<i>3,179</i>	<i>14,640</i>	<i>64,185</i>
<i>Major appliances</i>	<i>10,305</i>	<i>53,539</i>	<i>238,540</i>
<i>Small appliances, misc. hswres</i>	<i>5,248</i>	<i>27,011</i>	<i>120,580</i>
<i>Misc. household equipment</i>	<i>38,975</i>	<i>190,507</i>	<i>844,017</i>
Apparel and services	93,427	472,549	2,108,992
<i>Men and boys</i>	<i>21,508</i>	<i>106,944</i>	<i>373,148</i>
<i>Women and girls</i>	<i>37,842</i>	<i>191,975</i>	<i>857,012</i>
<i>Children under 2</i>	<i>3,682</i>	<i>19,746</i>	<i>89,025</i>
<i>Footwear</i>	<i>15,501</i>	<i>82,671</i>	<i>372,638</i>
<i>Other apparel products, services</i>	<i>14,901</i>	<i>71,263</i>	<i>315,336</i>
Vehicle purchases	172,819	898,278	4,003,978
Gasoline and motor oil	73,484	406,276	1,831,193
Vehicle maintenance and repairs	31,582	168,309	754,610
Medical services	31,947	168,273	753,977
Drugs/pharmaceuticals	19,716	115,837	529,086
Medical supplies	5,371	28,941	130,122
Entertainment	115,336	587,193	2,616,577
<i>Fees and admissions</i>	<i>31,108</i>	<i>146,169</i>	<i>643,490</i>
<i>TVs, radios, sound equipment</i>	<i>37,143</i>	<i>201,089</i>	<i>905,257</i>
<i>Pets, toys, playground equip.</i>	<i>19,143</i>	<i>99,289</i>	<i>443,632</i>
<i>Other supplies, equipment, svcs.</i>	<i>27,949</i>	<i>140,686</i>	<i>624,370</i>
Personal care products + services	28,624	149,678	670,420
Reading materials	6,647	34,132	152,428
Tobacco products + supplies	11,066	68,578	316,169
Total buying power (\$000)	1,046,735	5,475,180	24,513,613
Population	95,146	564,155	3,051,280
<i>Per capita</i> buying power	\$ 11,001	\$ 9,705	\$ 8,034

Table 33: Buying power of residents of Carlsbad; nearby communities (not including Carlsbad); and San Diego County for a variety of products and services (including Carlsbad and nearby communities) (sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2002 Census of Other Services; 2002 Census of Health Care and Social Assistance; ESRI; Carlsbad Office of Finance; 2004 Consumer Expenditure Survey, CLUE Group).

We then looked at the retail buying power of Carlsbad residents according to various demographic characteristics [TABLE 34, for example¹⁰].

¹⁰ Detailed tables are included in *Appendix 1: Technical Appendix*, a supplement to this report.

Buying power of Carlsbad residents			
Demographic characteristic	Groceries	Dining out	Admissions/fees
Household income			
Under \$20,000	\$ 9,298,000	4,288,000	601,000
\$20,000-30,000	8,414,000	4,822,000	669,000
\$30,000-40,000	10,240,000	6,467,000	958,000
\$40,000-50,000	11,189,000	7,506,000	1,300,000
\$50,000-70,000	21,603,000	15,858,000	3,252,000
\$70,000-100,000	27,775,000	23,865,000	5,908,000
\$100,000-120,000	15,893,000	14,038,000	3,344,000
\$120,000-150,000	17,507,000	15,406,000	4,663,000
\$150,000 and over	26,672,000	30,668,000	10,413,000
Age of householder			
Under 25	1,768,000	1,776,000	264,000
25-34	28,296,000	14,788,000	2,407,000
35-44	36,457,000	26,709,000	6,230,000
45-54	38,236,000	27,673,000	6,246,000
55-64	15,805,000	11,823,000	2,895,000
65-74	12,672,000	7,572,000	1,924,000
75 and over	8,526,000	4,555,000	1,049,000
Household size			
One person	15,851,000	13,333,000	2,669,000
Two people	47,729,000	36,581,000	8,405,000
Three people	24,787,000	18,087,000	3,408,000
Four people	25,131,000	17,569,000	4,228,000
Five+ people	16,021,000	9,170,000	1,923,000
Ethnicity/race			
Asian	3,792,000	3,138,000	631,000
Black/African American	1,061,000	585,000	71,000
Hispanic/Latino	19,221,000	10,331,000	1,525,000
White and other	109,210,000	81,125,000	18,276,000

Table 34: Buying power of residents of Carlsbad for groceries, restaurant meals, and admissions-based entertainment events according to several demographic characteristics (sources: 2002 Census of Retail Trade; 2002 Census of Accommodation and Food Services; 2002 Census of Information; 2002 Census of Arts, Entertainment, and Recreation; 2004 Consumer Expenditure Survey, CLUE Group).

This analysis suggests that, although the City is experiencing retail sales surpluses in most major retail categories, it is likely that there are a number of demographic niches for which retail demand is not being met locally and for which there might be opportunities to expand existing product lines,

launch new ones, or create new businesses. In analyzing consumer surveys, we therefore looked in detail at where people with specific demographic characteristics currently shop for various goods and services.

Finally, we looked at regional market demand for a range of products.

Buying power for household textiles				
Community				
Household income	Del Mar	Encinitas	Oceanside	San Marcos
Under \$10,000	8,000	48,000	206,000	72,000
\$10,000-20,000	11,000	127,000	425,000	165,000
\$20,000-30,000	12,000	222,000	853,000	370,000
\$30,000-40,000	22,000	281,000	971,000	384,000
\$40,000-50,000	16,000	280,000	879,000	330,000
\$50,000-70,000	32,000	549,000	1,520,000	594,000
\$70,000-100,000	107,000	990,000	2,263,000	870,000
\$100,000-120,000	55,000	601,000	943,000	435,000
\$120,000-150,000	67,000	748,000	893,000	360,000
\$150,000 and over	229,000	1,495,000	975,000	322,000

Table 35: Buying power of residents of four nearby communities for household textiles, by household income (*sources: 2002 Census of Retail Trade; 2004 Consumer Expenditure Survey, CLUE Group*).

SUMMARY OF MAJOR FINDINGS

1. In spite of Carlsbad's rapid growth, the percentages of households of various sizes and income levels have remained relatively consistent, as has the percentage of individuals of various ages. There have been some slight shifts since the 1990 *Census of Population* – more households with higher incomes, and a slightly older population – but, in all, the age, income and household size distribution of Carlsbad's population has remained relatively stable as the city has grown.
2. The retail climate in Carlsbad is quite strong, with higher sales *per capita* and sales per store in most retail categories than those of most nearby communities or of the County. It is particularly strong in automotive sales, with average dealership sales of \$33.4 million annually (versus \$8.4 million for the County). It also attracts shoppers from nearby communities for furniture/home furnishing and electronics/appliances (although it has growing competition from Encinitas and San Marcos in these categories).

3. Carlsbad appears to be losing sales in building materials/garden supplies to nearby communities. The city's average sales per business in this category are \$2.0 million – versus \$7.1 million in Encinitas, \$4.3 million in Escondido, \$4.5 million in Oceanside, \$5.9 million in San Marcos, and \$4.6 million for the County.
4. The Carlsbad retail market appears to be strong for home furnishings, home improvements products/services, dining out, entertainment, and reading, supported by the area's large number of one- and two-person households, affluence, and lifestyle characteristics.
5. The relative affluence, age and homeownership rate of Carlsbad residents suggests a market in which households are likely to upgrade home furnishings, appliances and consumer electronics and to invest in home improvements. Even though these retail categories have seen higher percentage increases in total retail sales than almost all other retail categories in Carlsbad in the past decade, they still appear to have strong growth potential.
6. New population growth in Carlsbad over the next two decades will provide enviable new retail development opportunities for downtown Carlsbad, with an estimated \$92 million in retail buying power entering the market by 2010.
7. Downtown Carlsbad appears to dominate the local market in three categories – hair care, dining out, and used merchandise. Restaurants are by far its leading sales leader and strongest market niche.
8. The retail buying power of Carlsbad residents appears to be more affected by age of householder, household income, and household size than by ethnicity/race.
9. Carlsbad has a relatively high percentage of telecommuters (twice the County's percentage) and of people with self-employment income – both of which suggest good opportunities for business-to-business services and home office furnishings and equipment.

Consumer surveys

Consumer surveys provide primary data about where people shop, why they shop in certain commercial districts, what they do when they visit the downtown, their impressions of the district, their demographic characteristics, and much more. Unlike published sources (such as the *Consumer Expenditure Survey*), surveys represent primary, on-the-ground research. Surveys sometimes confirm our assumptions; sometimes, they contradict them.

We conducted three consumer surveys during the course of our market analysis:

- an intercept survey of people in Carlsbad Village,
- a community-wide web-based survey of Carlsbad residents, and
- an online survey of interested area residents.

We also conducted a brief online survey of Carlsbad Village businesses.

Intercept survey: We conducted an intercept survey in August 2005, literally ‘intercepting’ people on downtown sidewalks and asking them to complete the survey questionnaire. The surveys were conducted using random-sample selection, meaning that everyone who visits downtown Carlsbad (workers, residents, shoppers, tourists, etc.) had an equal chance of being selected to participate in the survey, thus making it possible to apply the results of the survey (minus a small margin) to the entire population of downtown visitors. Surveys were conducted at various times of day, at varying locations in Carlsbad Village, over a seven-day period. Survey questionnaires were available in both English and Spanish. We collected 401 surveys, with a 95 percent confidence level and a plus/minus five percent margin of error.

Survey respondents – so, by extension, the entire population of people who visit downtown Carlsbad – are slightly wealthier and more likely to live in a household headed by someone under 25 years of age or between 55-64 years of age than the overall population of the city, and a slightly higher percentage of women visit downtown Carlsbad than in the city’s overall population [TABLE 36]. But, demographically, the similarities between downtown visitors and Carlsbad residents are much greater than the differences.

Characteristic	Survey	Census
Gender		
Female	56%	51%
Male	44%	49%
Age of householder		
Under 18	5%	1%
18-24	12%	2%
25-34	14%	15%
35-44	20%	24%
45-54	22%	24%
55-64	16%	12%
65-74	10%	11%
75 and over	2%	10%
Household income		
Under \$20,000	10%	11%
\$20,000 - \$40,000	12%	17%
\$40,000 - \$70,000	16%	24%
\$70,000 - \$100,000	23%	19%
\$100,000 - \$120,000	11%	8%
\$120,000 and over	28%	20%
Household size		
One person	22%	25%
Two people	38%	38%
Three people	15%	16%
Four people	17%	14%
Five or more people	8%	8%

Table 36: Carlsbad Village intercept survey demographics and Census of Population comparison for the City of Carlsbad (*sources: 2000 Census of Population; SANDAG; California Dept. of Finance [Census update]; CLUE Group*)

The intercept survey yielded a wealth of information about the people who currently visit downtown Carlsbad – downtown workers and residents, people who live and work elsewhere in Carlsbad, tourists. For example:

- One-third of the people who visit downtown Carlsbad are visiting while on vacation [TABLE 37].
- Fifteen percent of the people who visit downtown Carlsbad work downtown, meaning that, with a conservative estimate of 1,700 downtown

workers, approximately 11,300 people visit downtown Carlsbad on a typical day.

- Men are more likely to buy books in downtown Carlsbad than women, and they are more likely to buy books downtown than elsewhere in or outside Carlsbad [TABLE 38].
- People who live downtown are as likely to seek out fine dining in downtown Carlsbad as those who live elsewhere in Carlsbad [TABLE 39].

Characteristic	Primary reason for visiting downtown Carlsbad today							
	Work downtown	Shopping	Dining out	Running errands	Visiting prof. office	Browsing	Farmers' market	Vacation
All respondents:	16%	17%	8%	8%	1%	9%	8%	33%
Gender:								
Female	16%	18%	5%	6%	1%	6%	10%	38%
Male	16%	17%	12%	9%	2%	12%	5%	28%
Age of householder:								
Under 18	27%	18%	-	-	9%	-	-	45%
18-24	29%	21%	3%	0	3%	9%	3%	32%
25-34	19%	14%	14%	16%	-	12%	5%	21%
35-44	17%	17%	5%	9%	-	2%	12%	38%
45-54	16%	19%	8%	5%	-	7%	3%	41%
55-64	10%	14%	8%	4%	4%	14%	10%	36%
65-74	6%	15%	15%	15%	-	15%	15%	18%
75 and over	-	29%	-	-	-	14%	14%	43%
Household income:								
Under \$20K	44%	16%	8%	-	4%	8%	4%	16%
\$20-50K	17%	19%	15%	9%	2%	7%	4%	28%
\$50-70K	8%	24%	4%	12%	4%	12%	12%	24%
\$70-100K	23%	13%	5%	10%	-	10%	8%	30%
\$100-150K	12%	15%	6%	2%	2%	8%	12%	44%
\$150K and over	6%	16%	12%	8%	-	8%	6%	44%

Table 37: What people of various demographic characteristics report as their primary reason for visiting downtown Carlsbad on the day they participated in the downtown intercept survey (source: CLUE Group)

Shopping area	Gender	
	Women	Men
Downtown Carlsbad	12%	21%
Carlsbad Premium Outlets	3%	6%
The Forum	10%	9%
Westfield Plaza	9%	13%
Costco	9%	6%
San Diego	8%	3%
Online or by catalog	18%	14%
I never buy this	4%	7%
Oceanside	13%	8%
San Marcos	-	2%
Encinitas	-	-
Elsewhere	14%	13%
	100%	100%

Table 38: Where downtown intercept survey respondents most recently shopped for books, by gender (*source: CLUE Group*)

Shopping area	Where survey respondents live		
	Downtown	Elsewhere In Carlsbad	Somewhere else
Downtown Carlsbad	68%	70%	47%
Carlsbad Premium Outlets	2%	3%	1%
The Forum	2%	4%	2%
Westfield Plaza	-	-	2%
Costco	-	-	1%
San Diego	14%	13%	15%
Online or by catalog	-	-	-
I never buy this	8%	1%	11%
Oceanside	-	-	4%
San Marcos	-	1%	-
Encinitas	-	-	2%
Elsewhere	6%	7%	15%
	100%	100%	100%

Table 39: Where downtown intercept survey respondents most recently went for fine dining, by place of residence (*source: CLUE Group*)

Product/service	Age of householder	
	Householder	Householder
	under 35	35 or over
Books	Oceanside (16%)	Online/catalog (17%)
	Downtown (15%)	Downtown (16%)
Clothes + shoes (men's)	Westfield Plaza (20%)	Premium Outlets (20%)
	Premium Outlets (18%)	Westfield Plaza (19%)
Clothes + shoes (women's)	Never buy this (23%)	Downtown (19%)
	Westfield Plaza (19%)	Westfield Plaza (18%)
Clothes + shoes (children's)	Never buy this (51%)	Never buy this (28%)
	Premium Outlets (12%)	Premium Outlets (19%)
Furniture	Never buy this (44%)	Elsewhere (33%)
	San Diego (20%)	San Diego (17%)
Groceries	Downtown (36%)	Downtown (31%)
	Elsewhere (17%)	Elsewhere (27%)
Hair care	Downtown (33%)	Downtown (45%)
	Never buy this (22%)	Elsewhere (21%)
Hardware	Never buy this (31%)	Downtown (34%)
	Downtown (24%)	Elsewhere (34%)
Home furnishings	Never buy this (32%)	Elsewhere (29%)
	Elsewhere (17%)	San Diego (11%)
Lawn and garden items	Never buy this (56%)	Elsewhere (41%)
	Elsewhere (20%)	Never buy this (15%)
Music	Downtown (30%)	Downtown (18%)
	Elsewhere (16%)	Online/catalog (17%)
Office supplies	Never buy this (33%)	Elsewhere (31%)
	Elsewhere (20%)	Oceanside (14%)
Pharmaceuticals	Elsewhere (29%)	Elsewhere (36%)
	Downtown (24%)	Downtown (27%)
Restaurants (family dining)	Downtown (80%)	Downtown (73%)
	San Diego (8%)	Elsewhere (12%)
Restaurants (fine dining)	Downtown (57%)	Downtown (58%)
	San Diego (16%)	Elsewhere (15%)
Take-out food	Downtown (63%)	Downtown (54%)
	Elsewhere (10%)	Elsewhere (13%)
Toys + games	Never buy this (39%)	Never buy this (35%)
	Downtown (16%)	Elsewhere (16%)

Table 40: Where people who live in households headed by someone under 35 and those who live in households headed by someone 35 or older usually shop for various goods and services (source: CLUE Group)

- Almost half of the people (42 percent) who work in downtown Carlsbad live outside the city.
- Survey respondents who live in households headed by someone under 35 years of age say that downtown Carlsbad was where they most recently shopped for groceries, hair care, music, and dining out (family dining, fine dining, and take-out food). Survey respondents who live in households headed by someone over 35 say that downtown Carlsbad was where they most recently shopped for women's clothes/shoes, groceries, hair care, hardware, music, and dining out.
- When asked to rate downtown Carlsbad on various characteristics, survey respondents are remarkably consistent, regardless of demographic profile, in giving the district high ratings for attractiveness, cleanliness, and safety – and low ratings for business hours, mix of businesses, parking, and prices for value received. Downtown workers have a slightly better impression of the district's business mix than people who work elsewhere; homemakers have a slightly better impression of business hours.
- Downtown workers and residents do a substantial amount of their shopping for basic retail goods and services in downtown Carlsbad. For example, two thirds of them (66 percent) reported that, when they last shopped for groceries, they shopped downtown – versus only 27 percent of those who work elsewhere in Carlsbad – even while complaining in their survey comments about the quality of groceries available downtown.

Characteristic	Downtown residents	Downtown workers	All others
Overall attractiveness of the district	2.45	2.33	2.44
Business hours	2.12	2.08	2.14
Cleanliness (public spaces)	2.38	2.16	2.35
Cleanliness (stores)	2.46	2.33	2.42
Customer service	2.36	2.37	2.36
Festivals and events	2.53	2.53	2.41
Mix of businesses	2.07	2.08	2.17
Parking	2.02	1.92	1.86
Prices for value received	1.95	2.07	2.07
Safety (crime)	2.48	2.46	2.40
Safety (traffic)	2.25	2.34	2.31

Table 41: Attitudes about various aspects of downtown Carlsbad on a scale of 1 (poor) to 3 (excellent) (source: CLUE Group)

Where do you work?							
Characteristic	Downtown	Carlsbad	Elsewhere	Homemaker	Student	Unemployed	Retired
Overall attractiveness of the district	2.37	2.41	2.46	2.29	2.49	-	2.32
Business hours	2.09	2.04	2.14	2.21	2.06	-	2.08
Cleanliness (public spaces)	2.28	2.41	2.36	2.27	2.43	-	2.08
Cleanliness (stores)	2.39	2.37	2.42	2.44	2.49	-	2.29
Customer service	2.33	2.38	2.41	2.41	2.24	-	2.28
Festivals and events	2.54	2.50	2.40	2.50	2.37	-	2.55
Mix of businesses	2.26	2.04	2.19	2.00	2.03	-	1.96
Parking	1.64	2.11	1.99	1.93	1.74	-	1.88
Prices for value received	2.05	1.92	2.11	2.04	1.91	-	2.00
Safety (crime)	2.28	2.70	2.47	2.23	2.56	-	2.35
Safety (traffic)	2.25	2.52	2.32	2.27	2.45	-	2.13

Table 42: Attitudes about various aspects of downtown Carlsbad on a scale of 1 (poor) to 3 (excellent), based on place of employment (*source: CLUE Group*)

- People who work downtown are more than twice as likely as people who work elsewhere in Carlsbad to have most recently shopped downtown for books, women's clothes/shoes, children's clothes/shoes, furniture, groceries, home furnishings, music, office supplies, pharmacy/personal care items, and toys/games. But downtown Carlsbad's restaurants are popular with everyone – 78 percent of those who work elsewhere in Carlsbad report having eaten in a downtown restaurant when they most recently ate in a family dining restaurant, and 70 percent said they chose a downtown restaurant when they most recently ate in a fine dining restaurant. Downtown's barbers and hair salons are also popular with people who work elsewhere in Carlsbad; 51 percent of them reported having most recently gone to a downtown salon.

Community survey: We conducted a community-wide survey of Carlsbad residents in February-March 2006. Unlike the intercept survey, which focused on the district's current visitors, the community-wide survey reached both residents who visit downtown Carlsbad as well as those who rarely or never do. We mailed post card invitations to a randomly-selected subset of all

Carlsbad households, inviting recipients to take a survey online (if the recipient preferred a paper version, the postcard included a number to call, and we mailed them a paper survey and a stamped, return envelope). In total, 375 people responded to the survey, which would have yielded a 95 percent confidence level and a plus/minus five percent margin of error. But, on close examination, it became apparent that a large number of surveys had been completed by the same person, or by a group of people, and we decided to discard 150 of the samples collected, resulting in a total of 217 valid samples – not enough, unfortunately, to reliably extrapolate data for the entire population of Carlsbad. We therefore focused primarily on the survey's written comments, which we merged into those gathered in the survey of interested area residents¹¹.

Survey of interested area residents: The community survey was publicized in local news media and, surprisingly, generated considerable interest among area residents who had not been randomly selected to participate but who wanted to share their thoughts. We therefore created a second online survey and publicized the website address through local organizations; 163 people completed the survey. Although the survey samples were not gathered using random selection methodology and the survey is therefore not statistically representative of any specific group, it yielded interesting and helpful comments and insights.

Not surprisingly, people who responded to the community survey and the survey of interested area residents expressed some conflicting feelings and opinions about downtown Carlsbad. For example:

- When asked what they like most about Carlsbad Village, some survey respondents said: "Antique shops." But, when asked what they like *least* about the district, other survey respondents complained about the number of antique and used merchandise stores ("Proliferation of antique stores. Feels like I'm at an urban garage sale.").
- Some said they enjoy watching the tourists. Others said there are too many tourists downtown.
- Many said that one of their favorite things about downtown Carlsbad is its lack of national retailers ("No chains!" "Please work hard to maintain the charm and fight off the tendency to allow chain stores which homogenize America"). But, when asked what new businesses they would like to see

¹¹ All survey comments are included in *Appendix 1: Technical Appendix*.

downtown, a handful mentioned businesses like Trader Joe's, Chico's, and Williams-Sonoma.

- Survey respondents expressed mixed opinions about music venues. Some survey respondents complained about late-night sound levels. Others, however, praised them ("... we love hearing music drifting through the air outside at night...").
- Although many survey respondents complained about the need for more parking, several mentioned that they are, in fact, usually able to find convenient parking downtown. A number of people qualified their complaints about parking, expressing a specific need for more parking near the Coaster station and for longer parking hours late at night.
- A few respondents expressed impatience with the pace of the downtown's revitalization and development. But others expressed gratitude that change isn't happening too quickly ("Not too trendy yet, like Del Mar.").

But there were many points on which survey respondents expressed strong – almost unanimous – agreement. Chief among these:

- Respondents expressed love for the district's village atmosphere and relaxed environment and genuine concern that the district will become too upscale ("Lighten up! Don't be La Costa." "Don't run the mom and pop businesses out at the expense of more *shishi* boutiques. Keep a balance.").
- There is a strong desire for more entertainment downtown ("Not much to do here." "Lack of buzz and vibe."). Many people mentioned the need for movies, and several suggested bowling, more sidewalk dining, and public spaces in which to read a book, people-watch, or listen to an iPod.
- Many people expressed the need for stores to be open later in the evening ("Businesses do NOT cater to people with normal working hours.").
- Many people complained about the district's limited business mix ("There are too many of the same kinds of businesses.").
- A number of people expressed the desire for the Coaster to operate later into the evening.
- Many people commented on the need for storefront improvements.

- Several survey respondents pointed to the revitalization success of other traditional downtowns in the region, but made it clear that they do not want downtown Carlsbad to become Santa Barbara, Del Mar, La Costa, Pasadena, Carmel, or the Gaslamp District.

Survey of downtown businesses: In June 2006, we invited 114 downtown businesses to participate in a brief online survey to gather anecdotal information on recent sales trends. Thirty-two businesses – half retail, half non-retail, responded to the survey, reporting an average of 4.9 full-time-equivalent staff and 11.4 years in business in downtown Carlsbad. Forty-five percent of the businesses participating in the survey reported that sales have been better in the past 12 months than in the previous 12 months; 32 percent reported that sales have stayed the same; and 23 percent reported that sales have been worse. When asked what the most significant barrier is to the district's revitalization, most cited parking shortages, a restrictive regulatory environment, or both.

SUMMARY OF MAJOR FINDINGS

- All three public surveys underscore the importance of the district's restaurants, personal services businesses, and specialty retailers in carving out a unique market niche for downtown Carlsbad. Many survey respondents patronize all three niches, and even those respondents who do not patronize them are aware of their visibility. Regardless of what the district's future retail evolution might be, these three niches are market 'foot holds' from which the district will grow.
- There are substantial unrealized opportunities to provide a broader range of goods and services for downtown workers in downtown Carlsbad, and these opportunities dovetail well with expanded retail offerings for current and future downtown residents. Downtown Carlsbad is, generally speaking, the first shopping choice for both downtown workers and downtown for convenience-oriented items like groceries, personal services, and dining out. In their survey comments, both downtown workers and residents clearly expressed their desire for a broader range of community-serving goods and services available within the district – and both groups have considerable retail buying power.
- In general, people who currently visit Carlsbad Village have a positive impression of the district's physical appearance, its cleanliness, its safety, the customer service its businesses offer, and its festivals and special

events, but a negative impression of business hours, of the variety of goods and services available, of prices for value received, and of parking. Women tend to have slightly more negative impressions of the district than men; younger people tend to have slightly more positive impressions of the district than women; local residents have a slightly more positive overall impression of the district than visitors; and people who work in downtown Carlsbad have a slightly more positive overall impression of the district than people who work elsewhere in Carlsbad or in another community.

- The written comments survey respondents provided have made clear that their low perception scores for store hours, retail mix, and downtown parking are, in fact, quite significant: these were the three most frequently mentioned issues in all survey comments.
- Monthly rents of retail businesses that responded to the downtown business survey average \$2,445, or about \$2.00/square foot. Given that most retail businesses spend between 4-10 percent of their gross sales on rent, we estimate that downtown Carlsbad's retail businesses currently generate average gross sales of between \$300,000-\$750,000 annually.
- Carlsbad is a retail dynamo in automotive sales, eclipsing nearby communities in *per capita* and average business sales in this category. But, while average-sales-per-business data for cities in the northern part of San Diego County show that Carlsbad is not as strong a regional magnet in other retail categories, the downtown intercept and community surveys do not suggest that any other nearby community is consistently attracting Carlsbad residents for retail shopping. With the possible exceptions of furniture/home furnishings and occasional fine dining, for which they go to San Diego, Carlsbad residents' out-of-town shopping appears to be more circumstantial than persistent.

Recommendations

A quick summary of our major findings:

District strengths	Diverse industries, business sectors Several specialized retail clusters (furniture; services; dining) Predominantly locally owned businesses/few national chains Large number of district workers Growing population of district residents Large number of vacationing visitors Proximity to beach/ocean Committed government, civic institutions, arts community Economically thriving city with strong business/industrial base Farmers' market Village Faire
District weaknesses	Limited retail store hours Unclear roles for district management, marketing Lack of cohesive business development strategy Lack of focused marketing strategy Retail sales per business generally lower than city average Public perception of parking shortage Public perception of limited retail business mix Weak online retail business presence Few ongoing retail business relationships with vacationers Need for façade improvements Weak link from major highways; need for wayfinding system
Area/regional market opportunities	Furniture/home furnishings Basic goods and services for new residents Entertainment

Table 43: Summary of major district strengths, weaknesses and market opportunities

All older and historic commercial districts have a number of equally viable retail development alternatives, from focusing on locally-serving neighborhood districts (drawing largely on district workers and residents) to becoming regional destination business districts or, by tapping into the market power of the internet, even national destinations. The best path is generally one that:

- builds on the district's and the community's existing strengths and strategic advantages;

- has both market demand and consumer desire; and
- reflects local values and desires.

Based on our analysis of downtown Carlsbad's strengths and weaknesses; demographic and retail trends in the district, city, and region; and consumer shopping patterns and preferences, we believe downtown Carlsbad can support three simultaneous major retail development scenarios¹²:

1. Neighborhood-serving commercial center: Strengthening the basic, convenience-oriented retail offerings for district workers and residents
2. Arts, cultural and entertainment (ACE) district: Building on the market niche the district's restaurants and galleries have created
3. Specialized retail cluster: Creating one or more specialized clusters of businesses that are unique within the region (and possibly within the state or nation)

Any of these three scenarios could work independently, but we believe they will work better if pursued simultaneously than any one of them would if pursued individually. These three scenarios correspond roughly with the three major district marketing themes we recommend that the district pursue:

- Neighborhood (a relaxed urban community with basic amenities and the ability to live and work in a dynamic, car-free environment near the beach)
- ACE (a dynamic, stimulating dining and entertainment district with innovative arts and signature events)
- Discovery (an authentic and unpredictable historic commercial district with hidden treasures)

RETAIL DEVELOPMENT SCENARIOS

Neighborhood-serving commercial center: Downtown Carlsbad already serves as a *de facto* neighborhood-serving commercial center for downtown workers and nearby residents, capturing a surprisingly large percentage of

¹² Each of these scenarios will be outlined in greater detail in *Appendix 2: Business Development and Marketing Plan*, following our July 2006 discussion with Carlsbad civic leaders.

the grocery, dining out, hardware, and personal care purchases of the households represented by these workers and residents.

We believe downtown Carlsbad can absorb an additional \$19.2 million¹³ in gross sales of neighborhood-serving retail goods and services, including:

- \$5.2 million in new grocery sales, including specialty grocery items
- \$8.5 million in new restaurant meal sales, plus \$0.7 million in alcoholic beverages consumed in restaurants
- \$0.6 million in housekeeping supplies
- \$0.2 million in hardware sales
- \$0.1 million in indoor plants and fresh flowers
- \$1.0 million in pharmaceuticals and medical supplies
- \$620,000 in fees and admissions
- \$1.6 million in personal care products and services
- \$0.1 million in reading materials

These are in addition to existing sales.

Neighborhood-serving commercial center	
Retail sales potential	\$19,170,000
Target market(s)	Downtown workers Downtown residents New community residents
Possible product lines	Fast food restaurants (including delis) Mid-size supermarket, such as Whole Foods Quality restaurants (w/liquor) Take-out food (mid- and upscale) Specialty/ethnic bakeries Drugs/pharmacy/medical equipment Hardware Mailing/packaging Dog walking/pet sitting
Location	Near Coaster station Near new condominiums

Table 44: Characteristics of business development scenario 1: neighborhood-serving commercial center

¹³ We have found that downtown retail development is most successful when new retail sales are absorbed initially by existing businesses (sometimes by adding or changing a product line; sometimes by improving marketing and/or visual merchandising; sometimes by adjusting store hours; sometimes by repositioning the business); then, after existing businesses have become stronger, new businesses are launched.

We suggest that approximately \$6.9 million of this (about 36 percent), be absorbed by existing district businesses, with the remaining \$12.3 million absorbed by new businesses (totaling approximately 47,500 square feet).¹⁴

These estimates are based on the assumptions that approximately 15 percent of the new households expected to be created in Carlsbad by 2015 will live in downtown Carlsbad; that convenience-oriented retail development will continue to take place in the vicinity of the Coaster station; that a new grocery store (approximately 8,000-12,000 square feet) will be developed downtown (or that the existing Albertson's grocery store will be redeveloped); and that downtown retail stores will begin routinely maintaining early evening hours.

Arts, cultural, and entertainment (ACE) district: We believe that there is an enormous need for new arts, cultural and entertainment activity in downtown Carlsbad. Downtown Carlsbad's greatest current retail niche is its restaurants, which generate more than half of the district's taxable retail sales. But people who come downtown in the evening to dine out (or district workers who stay downtown after work to dine out) have little to do after dinner. We believe that expanding the district's ACE offerings are essential not only to increasing the district's sales but to protecting its current sales base – and, in a larger sense, to defining and communicating the district's personality.

We believe downtown Carlsbad can absorb an additional \$28.2 million in gross sales of arts and entertainment-related products and services, including:

- \$7.6 million in new grocery sales
- \$17.2 million in new restaurant meals, plus \$1.3 million in alcoholic beverages consumed in restaurants
- \$0.9 million in high-quality craft furniture and home furnishings
- \$0.8 million in movie theatre revenues
- \$0.1 million in musical instrument sales
- \$0.2 million in book sales

These are in addition to existing sales.

We suggest that approximately \$2.9 million of this (about 10 percent), be absorbed by existing district businesses. This estimate assumes that the

¹⁴ Detailed projections are provided in *Appendix 1: Technical Appendix*.

Village Theatre will be rehabilitated and maintain a regular schedule of specialty and independent films, with gross receipts augmented with innovative concessions and theatre rental income; that a new two- or three-screen theatre will be developed in the downtown area, exhibiting primarily first-run films; and that downtown retail stores will begin routinely maintaining evening hours. This scenario is also heavily dependent on active involvement from the regional arts community not only in executing various arts projects but in shaping the overall district arts/entertainment program and in a strong program of signature events that help shape public perception of Carlsbad Village.

	Arts, culture, entertainment (ACE) district
Retail sales potential	\$28,200,000
Target market(s)	Downtown restaurant customers Downtown workers Carlsbad residents Regional residents Tourists/visitors
Possible product lines	First-run movie theatre/performance center Specialty films Locally owned restaurants with arts/entertainment Bowling alley Custom-made/craft housewares, clothing, jewelry
Marketing considerations	Animated storefronts, window displays One or two signature promotional events “Everyday ephemera” (usable public art)

Table 45: Characteristics of business development scenario 2: arts, cultural, entertainment (ACE) district

Specialty clusters: Clusters of specialty retail businesses are very valuable in creating visibility for commercial districts and in providing new market opportunities unique within the region (and, in some instances, within the state or nation). Specialty clusters help define a district’s personality, strengthening the overall district’s market position in the process. Carlsbad has the advantage of already having a specialty cluster – antique and used-merchandise stores – that has, to an extent, shaped public perception of the district and from which future clusters can evolve.

There are a number of new or expanded specialty clusters that we believe would be economically viable in downtown Carlsbad. These include:

- Energy-efficient and environmentally-friendly housewares: recycled household products; high-efficiency appliances; home and business recycling products and supplies; photovoltaics; mini wind turbine sales and installation; green roof supplies and installation services; ecologically friendly dry cleaning services; bamboo building materials (flooring, fabric, cabinets); etc.
- Unique home furnishings: Unique and hand crafted furniture and home furnishings at all prices; mid- and upscale custom kitchen specialties (appliances, cabinets, furniture); home automation products and installation; vintage light fixtures, switch plates, and other electrical hardware; etc.
- Unique clothing: Costume rentals and sales; plus-size men's and women's clothing; custom bowling shirts; clothing by the pound; clothing made from high-tech fabric; etc.
- Specialty food: Wide range of ethnic bakeries (Mexican, German, Czech, Middle Eastern); packaged food from downtown and area restaurants; fresh and packaged food available from farmers' market vendors and retailed through downtown businesses; etc.

Each of these clusters should consist of a minimum of four businesses, placed relatively close together to build synergy and to enhance visibility.

In addition, there are a number of individual retail businesses or product lines that we believe would be economically viable in downtown Carlsbad, although not warranting a cluster of similar businesses. These include:

- Bicycle sales, rentals and repairs (featuring Elektra bikes)
- Segway rentals and sales
- Vintage and unique eyeglass frames
- Vintage dashboard restoration and fabrication
- Custom wet suits
- ["Build a Bear"](#)
- Home beer brewing/winemaking supplies
- Model rockets (featuring Blacksky products)
- An "outlet" store featuring products from Callaway and other local golf equipment manufacturers

In selecting specialized businesses, we recommend that the district's revitalization partners identify products and services for which there is local skill, knowledge and experience and which is unique within the San Diego region. Many communities are successful in creating new retail and service businesses that provide support to local and regional manufacturers and other industries (back-office support; vendors; sales outlets for sample or surplus factory merchandise; etc.).

It will be very important that these specialized businesses use multiple business channels to reach their sales goals – online sales, in particular, dependent on both new customers and ongoing relationships with occasional community visitors.

KEY ISSUES

Strategies for business development, marketing, and management will be outlined in *Appendix 2: Business Development and Marketing Strategy*, following our July 2006 meeting with city and civic leaders to review preliminary ideas. Among the issues that will be key for downtown Carlsbad's revitalization, management and ongoing development:

Store hours: Downtown Carlsbad's limited store hours are one of the factors most limiting to the district's success. We believe that the district could boost its retail performance by a minimum of 15-20 percent simply by routinely maintaining retail store hours until 7:00 p.m.¹⁵ There have been numerous studies conducted throughout the United States in recent years to try to determine the volume of retail purchases that are made at different times of day and different days of the week and, while each differs slightly in its findings, all agree that the overwhelming majority of retail sales in the United States are now made between 5:00-8:00 pm, on Saturdays, and on Sunday afternoons. This does not necessarily mean that downtown businesses need to stay open *more* hours; it could simply mean shifting store hours from nine-to-five to, say, noon-to-eight. We therefore recommend that the Village's retail businesses routinely maintain store hours until 7:00 pm (even if this means moving stores' opening times an hour or two later), with later hours on Friday and Saturday evenings, and that Village property owners begin including clauses in their leases dictating specific mandatory store hours.

¹⁵ In a survey conducted by the Carlsbad Chamber of Commerce in April 2006, 50 percent of respondents reported that their favorite time to shop is evenings between 5-10 p.m. In our survey the results were not quite as dramatic – 46 percent reported they preferred to shop weekday evenings, weekends during the day, or weekend evenings – but nonetheless underscoring the importance of shopping hours outside typical weekday working hours.

Business placement: Business placement has evolved somewhat naturally in downtown Carlsbad – but, with the development of new condominiums and commercial space, we recommend articulating specific zones (in the informal sense, not in the legal sense) within the district in which certain types of retail activity might be encouraged – beach-oriented, business-to-business, Coaster station, south end, “100 percent corners”, “discovery”¹⁶ – in essence, treating the district as a collection of smaller, contiguous districts.

Marketing: Events receive positive feedback in the intercept surveys, but community survey respondents are less aware of the district’s events – and we believe that events could be focused more tightly on specific economic development goals for the district.¹⁷

The role of the arts: Carlsbad’s arts community is beginning to carve out a role in the district’s development. We encourage the arts community to be bolder and more aggressive in doing so, weaving arts into the fabric of business development planning. ‘Street ephemera’ – like the fire hydrants project – is a good beginning step to enliven the physical environment. A Seattle neighborhood, for example, has embedded bronze dance steps in a sidewalk, prompting passersby to break into a brief dance as they walk by. A Philadelphia neighborhood has created a ‘gum tree’ – an artificial tree on which people leave their chewing gum. An artists’ collaborative in Boston launched Boston Art Windows, with local artists using downtown and neighborhood window displays for innovative, edgy installations. Artists like [Krystof Wodiczko](#) use projected video to enliven buildings – a large LCD smiley face that frowns when someone approaches it; video loops of people on the street; dollhouses that tumble, furniture flying, when someone presses a button. We encourage the arts community to prioritize interactive art experiences that engage curiosity and encourage movement through the district.

The role of entertainment: Like arts, entertainment should be woven into the fabric of every business activities for the district, rather than reserved for special events. For example:

¹⁶ We will suggest retail development zones in *Appendix 2: Business Development and Marketing Strategy*, to be prepared after our July 2006 meetings with civic leaders.

¹⁷ We will outline a marketing strategy in *Appendix 2: Business Development and Marketing Strategy*.

- A restaurant in a New Jersey seaside town hires aspiring singers as servers. When a customer asks what flavors of ice cream the restaurant offers for dessert (prompted by a leading phrase in the menu), the servers quickly assemble at the table and sing the ice cream menu in four-part harmony, to the tune of Handel's "Hallelleujah" chorus.
- An art gallery in a small town in Washington nails bicycle reflectors in the shape of various objects to a blank exterior wall of its building, encouraging motorists to flash their headlights onto the wall to see the hidden objects outlined there.
- A clothing store – Stop the Shop – in a London suburb built its walls around the slowly- revolving platform base of an old carousel on which most of its merchandise is displayed. When a customer wants to enter the store, s/he pushes a button to literally stop the shop from revolving.

We believe downtown Carlsbad could be significantly enlivened by incorporating entertainment into ongoing business activities. We recommend, for example, that *all* specialty businesses – not just retailers, but service and professional businesses, also – make their window displays as lively and unique as possible, helping generate energy and excitement on the sidewalk. If a restaurant sells kebabs, have a grille in the window, with a cook spinning the skewers and interacting with pedestrians. If it's a metal foundry, have some stage of the production taking place in the window. If it's a yarn shop, consider putting a spinning wheel in the window, with staff occasionally using it. Encourage dynamic activity that will capture the attention of passers-by.

Independent businesses: Downtown Carlsbad's independently owned businesses have created a market niche distinct from almost all other retail offerings within the city, and survey respondents perceive the district's lack of national retailers to be a positive feature. A growing number of communities have solidified their commitment to ensuring that independently owned businesses continue to thrive in downtown their downtown districts through land use regulations that limit the number of 'formula businesses' that can locate downtown (e.g., Coronado, California, and Port Townsend, Washington). While we are not strongly advocating such an approach, we believe it warrants investigation.

Parking: Many survey respondents complained about the downtown Carlsbad's shortage of parking. While assessing parking supply and demand is not part of the scope of this analysis and was not something we investigated,

we saw no strong evidence during our research to suggest that a parking shortage currently exists (although it appears likely that some changes in the way the existing parking supply is managed might make more parking spaces available for customers during prime shopping hours).

Different types of development, and different types of retail activity, have different parking needs. Destination retail, for example, is generally much more parking-intensive than neighborhood-serving retail, as it relies much more on attracting shoppers from greater distances, and development that creates downtown housing generally needs significantly less parking than comparable development in outlying areas. We therefore applaud the City's proposal to increase density for new development projects and decrease related on-site parking requirements within the downtown area.

Global marketing: Businesses like William Rees Instruments (Rising Sun, Indiana), Café Campesino (a fair trade coffee shop and coffee wholesaler in Americus, Georgia), The Shaving Gallery (Acworth, Georgia), and Bulls-Eye (a custom dart manufacturer in Philadelphia's Frankfort neighborhood) draw on local skills and interests but have found a global market for their goods and services, primarily based on internet commerce built in part from personal contact with tourists.

Because of the possibility of internet marketing, almost any specialty niche could conceivably work, as the potential market is global. There are almost limitless specialty niches that, with aggressive marketing, could be successful. The internet makes it possible for businesses to reach customers who do not live near – and who might never visit – Carlsbad. In communities like Carlsbad, which benefits from a strong tourism industry, internet marketing is particularly advantageous, helping businesses maintain ongoing contact with customers who may have visited only once but whose on-site, in-store shopping experience could have a lasting impact on a store's sales.

Business development: Developing new independent businesses that meet the objectives of the district's business development plan is a challenging process. We recommend focusing on recruiting entrepreneurs rather than on recruiting businesses. Many of the most successful and innovative businesses in historic downtowns today are driven by owners with strong entrepreneurial skills and vision. Given the ability of the internet to augment local sales for downtown retail businesses, it is quite possible – and becoming more common – for districts to develop profiles of the sorts of specialized retail businesses they would like to see in their districts (both to meet some local

needs and to help enhance the overall personality of the district). Successful entrepreneurs can then implement the businesses profiled. Rather than looking exclusively for businesses that already exist (somewhere) and encouraging them to relocate or open an additional location in Carlsbad Village, we recommend looking for talented entrepreneurs (including existing Village business owners) willing to craft unique businesses that fit Carlsbad's specific market opportunities.

While we recommend moving expeditiously to develop new retail clusters in downtown Carlsbad, we also recommend focusing on helping existing businesses add new product lines and increase sales. While downtown Carlsbad can undoubtedly support a number of new businesses, it would likely experience greater sales growth by initially boosting the performance of existing businesses than by focusing exclusively on adding new businesses. Our detailed projections of new market opportunities for downtown Carlsbad therefore focus on product lines, rather than specific business categories, and on potential sales absorbable by existing businesses as well as by new ones.

Tourists: Downtown Carlsbad is fortunate in having an almost-constant flow of tourists throughout the year. Each person who visits a business in downtown Carlsbad represents a potential long-term customer for that business, even if he or she never visits the business in person again. Businesses – particularly independently owned businesses – can maintain ongoing profitable relationships with one-time visitors through mail, phone calls, websites, and other venues. A few examples:

- A shoe store owner in Iowa calls a core list of several hundred distant customers every six months or so to ask about their shoe needs, tell them about new products in which he thinks they might be interested, and occasionally sends loyal customers shoes to try out, with no obligation to keep them.
- A bookstore owner in Arkansas who specializes in signed, first-edition books maintains an extensive database of every customer who has ever bought a collectible book from her, contacting customers by hand-written card when she obtains a book in which she thinks they might be interested.
- A second-hand clothing store in California offers an online “personal shopper” service. Distant customers complete an online questionnaire with information about their size, color, brand, style and price preferences, and when new items arrive that meet a customer's profile, the “personal

shopper” sends an email message to the customer letting them know about the new merchandise.

Management: Shopping malls are managed as unified entities, with single property owners who have direct control over tenancy, store hours, store appearance, marketing events, parking, and most other operational aspects. Because of their multiple ownership patterns, broad mix of land uses, multiple markets, and public- and private-sector interests, downtowns must create management systems that work effectively to guide many of these operational aspects on a voluntary or lightly-regulatory basis. Several different marketing and management structures for downtown Carlsbad have been discussed in recent years – a Main Street program, a Business Improvement District, a Chamber-based program, a City-based program, etc.

We believe there are several key conditions which must be met in order for downtown Carlsbad to thrive. Chief among these:

- New commercial growth within the City must be captured to the fullest extent possible within the City’s existing commercial districts – including Carlsbad Village.
- New residential development must occur downtown.
- Existing businesses must become more competitive.
- The district’s stake holders – business owners, property owners, business associations, city government – must aggressively target emerging market opportunities, rather than letting the downtown’s business composition evolve by chance.
- The district’s physical environment – both public spaces and private buildings – must be very appealing to customers, visitors, and investors.
- The district’s marketing activities must be tightly focused on helping achieve the district’s overall economic development goals. No event should take place that does not further one of these goals.
- Both the public and private sectors must play aggressive, coordinated and collaborative roles in managing the district’s development and shaping its future.

There is, of course, no single entity with responsibility for all these needs; it is a shared responsibility. We believe that the best management structure for downtown Carlsbad will be one that provides a neutral venue for collaborative planning and for then assigning and coordinating responsibilities for individual tasks according to each collaborator's particular skills, resources, network, and knowledge, thus leveraging the district's and the community's human and organizational capital as fully as possible. We therefore recommend that the district use the planning framework of the Main Street program (with or without official designation as such), with funding for the program's operation generated primarily by a business improvement district, to coordinate the individual activities of district stake holders in a unified, comprehensive, and long term revitalization and management agenda.

In conclusion, we find that Carlsbad Village benefits from enormous and enviable economic development opportunities, from committed partners, and from enthusiastic supporters. Its greatest hurdles appear to be in maintaining tight focus on its primary economic development goals and in creating an organizational structure to drive the district's growth and evolution – both of which are achievable in a community with such a strong commitment to its downtown's future.

Sources of information

Our primary sources of information for our research were the 1990 and 2000 *Census of Population*; 1992, 1997 and 2002 Economic Census (including the *Census of Retail Trade*; *Census of Accommodation and Food Services*; *Census of Arts, Entertainment and Recreation*; *Census of Information*; *Census of Health Care and Social Assistance*; and *Census of Other Services*); ESRI, the 2004 and 2005 *Consumer Expenditure Survey*; data compiled for us by the City of Carlsbad's Redevelopment Office; *The Dollars and Cents of Shopping Centers*; various publications by SANDAG (*San Diego Region Public Opinion Survey 2005*), the California State Board of Equalization, California Department of Finance, California Statistical Abstract, and various articles, books, and reports, including "City of Carlsbad Public Opinion Survey Report" for 2000-2005, "San Diego Regional Economic Prosperity Strategy" (1998, San Diego Association of Governments), and Calthorpe and Associates' physical plan for downtown Carlsbad.

Disclaimer

Retail market analyses, their components (such as retail sales gap analyses) and derivative business development plans provide important guidance on how the area's commercial centers should, theoretically, be able to perform and on the sales and rent levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator, level of business capitalization, quality of the physical environment, changes in overall economic conditions, district marketing programs, and numerous other factors. The information and recommendations in this sales gap analysis report are intended to provide a foundation of information for making retail development decisions in Carlsbad, but they do not and cannot ensure retail success.

We have made all reasonable efforts to research the basis for all findings and conclusions as thoroughly as possible. We have noted several specific data limitations on pages 8-9 of this report.

This report's findings, conclusions, and recommendations are solely those of the consultant and should not be assumed to represent the opinions of the City of Carlsbad or any other party.